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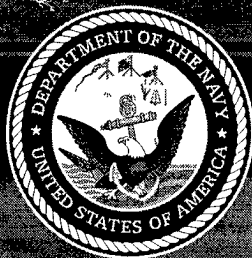
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Office of Budget
Department of the Navy

Highlights of the Department of the Navy FY 1998/FY 1999 Biennial Budget



MilPers, -
Reserve Pers, Navy
Reserve Pers, Marine Corps
TOTAL, MILPERS

O&M, Navy
O&M, Marine Corps
O&M, Navy Reserve
O&M, MC Reserve
Environmental Restor., N
Kaho'olawe Island
TOTAL, O&M

Aircraft Procurement, Navy
Weapons Procurement, Navy
Shipbuilding & Conversion, Navy
Other Procurement, Navy
Procurement, Marine Corps



FY 1998	FY 1999
16,510	16,388
6,152	6,330
1,375	1,398
381	390
24,418	24,507
21,581	21,518
2,305	2,404
835	858
110	115
277	288
10	0
25,119	25,183
	7,669



February 1997

HIGHLIGHTS OF THE DEPARTMENT OF THE NAVY

FY 1998/FY 1999 BIENNIAL BUDGET

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SECTION I - THE NAVY-MARINE CORPS TEAM

FOREWORD

This *Highlights Book* is designed to provide a summary of the FY 1998/FY 1999 Department of the Navy budget to assist members of Congress and their staffs in their review of the President's request. FY 1998 marks an important transition year for the Department of the Navy. We will be well embarked on our recapitalization strategy to dedicate the increasing resource levels necessary to provide modern, capable platforms and systems for tomorrow's Navy-Marine Corps team. At the same time, we will only then be reaching the end of our projected resource downslope, and will begin maintaining an essentially level financing profile beyond FY 1998. This budget attempts to negotiate the path from the point the Congress has led us to in FY 1997, through the necessary reforms and efficiencies critical to long-term affordability, and to the continued satisfaction of our core warfighting requirements within the President's plan for Defense.

Readiness

Readiness remains at the forefront of our budgetary decisions. We will provide the resources necessary to ensure our Sailors and Marines are trained and our forces are sufficient to meet the continuing high pace of operational commitments. The programmed levels of 346 battle force ships in FY 1998, declining to 335 ships in FY 1999 are consistent with earlier plans, as are the numbers of active and reserve Marine Divisions and Navy and Marine Corps Air Wings. Operationally, our forces are also supported to achieve FY 1997 non-contingency levels plus the cost of known, continuing contingencies beyond FY 1997. However, we have been aggressive in identifying efficiencies in such areas as fuel consumption and spare parts to minimize overall costs of operations. Depot maintenance programs are budgeted at levels that will support critical readiness requirements and will allow us to obtain maximum utility from our organic depot maintenance facilities.

Also critical to readiness are the missions performed by Department of the Navy activities funded through the Navy Working Capital Fund (NWCF). We faced several challenges in preparing this budget for these former Defense Business Operations Fund activities. First, a significant erosion of workload at the Naval Weapons Stations since FY 1992 requires immediate and decisive action. Accordingly, this budget includes a significant restructuring of this activity group which will include

elimination of an intermediate management layer. This budget restructures and downsizes the Naval Weapons Stations while ensuring required capabilities and commitments are supported.

This budget includes an aggressive plan to generate additional cash to re-establish an adequate level of working capital for our NWCF activities. Rates and surcharges have been set to cover budgeted costs and achieve a zero Accumulated Operating Result by the end of each fiscal year, as well as liquidate outstanding advance billings and re-establish a sufficient cash corpus. Customer budgets reflect these plans. These investments are expected to bring the NWCF cash corpus to a sufficient level to cover day-to-day operations and eliminate all advance billing balances by the end of FY 1999.

Recapitalization

Among our critical recapitalization programs, this budget supports the proposal for a cost-saving multi-year procurement of twelve *Arleigh Burke* Class destroyers over a four-year period beginning in FY 1998. Our financial commitment to preserving the submarine industrial base is also increased in this budget, with full funding for a 4 boat teamed-multiyear acquisition strategy for the NSSN program. This budget also commits the resources necessary to support construction of CVN-77, with transition to new technology leading to future CVX carriers. Also included is the last increment of funds needed to complete the SSN-23 (authorized in FY 1996); funding, in concert with DARPA, for a concept demonstration Arsenal Ship; and funding to commence design and technology work for the future surface combatant (SC-21). The budget also provides the funds necessary for the final three (two in FY 1998 and one in FY 1999) of 19 prepositioning/ surge LMSRs required to satisfy sealift requirements.

We also have preserved robust increases in our recapitalization profile for aircraft, with 51 new or remanufactured aircraft budgeted in FY 1998, 71 in FY 1999, and increasing to 164 by the end of the FYDP. The budget reflects a reduction from historical levels of advance procurement for aircraft programs beginning in FY 1998 to reflect minimum essential funding for government and contractor furnished equipment. We have budgeted for advance procurement only when it is cost-effective and not to protect production schedules. The budget also supports our commitments in several joint programs, including development of the special operations variant of the V-22; participation in the Joint Primary Aircraft Training System (JPATS); the Joint Strikefighter program (JSF); procurement of AMRAAM missiles; the Joint Standoff Weapons System (JSOW), and the Joint Direct Attack Munitions (JDAM).

The budget sets the stage for ambitious recapitalization efforts for the Marine Corps. The budget provides for continuation of the program definition and risk reduction phase for the development of the Advanced Amphibious Assault Vehicle (AAAV). Prototype assembly will begin in FY 1998 for the AAAV with initial testing scheduled for FY 1999. Development, prototype manufacturing and engineering efforts are budgeted to continue during FY 1998 and FY 1999 for the lightweight

155 mm howitzer, which is planned to replace the operationally deficient M198 howitzer. Marine Corps firepower will be enhanced with procurement of the Predator short range anti-armor weapon beginning in FY 1999 and continuing procurement of the Javelin medium range man-portable anti-tank weapon. Procurement of remanufactured medium tactical vehicles, which will provide technology enhancements and an additional 22-year service life will commence in FY 1999.

The *Highlights Book* sections that follow this foreword provide financial summaries and brief program discussions. Appropriation tables are found in Appendix A. The *Highlights Book* also includes an explanation of changes in FY 1997, along with information on resource trends, significant force and manpower factors, and selected data on maintenance, readiness and civilian personnel. This *Highlights Book* is available electronically on the FY 1998/FY 1999 Department of Defense Justification of Estimates CD-ROM, internally at "navweb.secnav.navy.mil/nhbs" for Navy personnel and on the World Wide Web via the Navy's Headquarters Budget System (NHBS) at "<http://navweb.secnav.navy.mil/budget>".

BUDGET TRANSITION

The FY 1998/FY 1999 budget marks an important transition period for the Department of the Navy as our acquisition accounts begin to bear the increasing investment of resources necessary to effect our recapitalization strategy. As can be seen in chart 1, our overall resource trend, adjusted for inflation, is projected to remain flat. However, as we continue to shed excess infrastructure and become more efficient in the manner in which we operate and support our forces, a larger proportion of funds will become available for investment.

Chart 1 - DON Topline FY 1997 - FY 2003

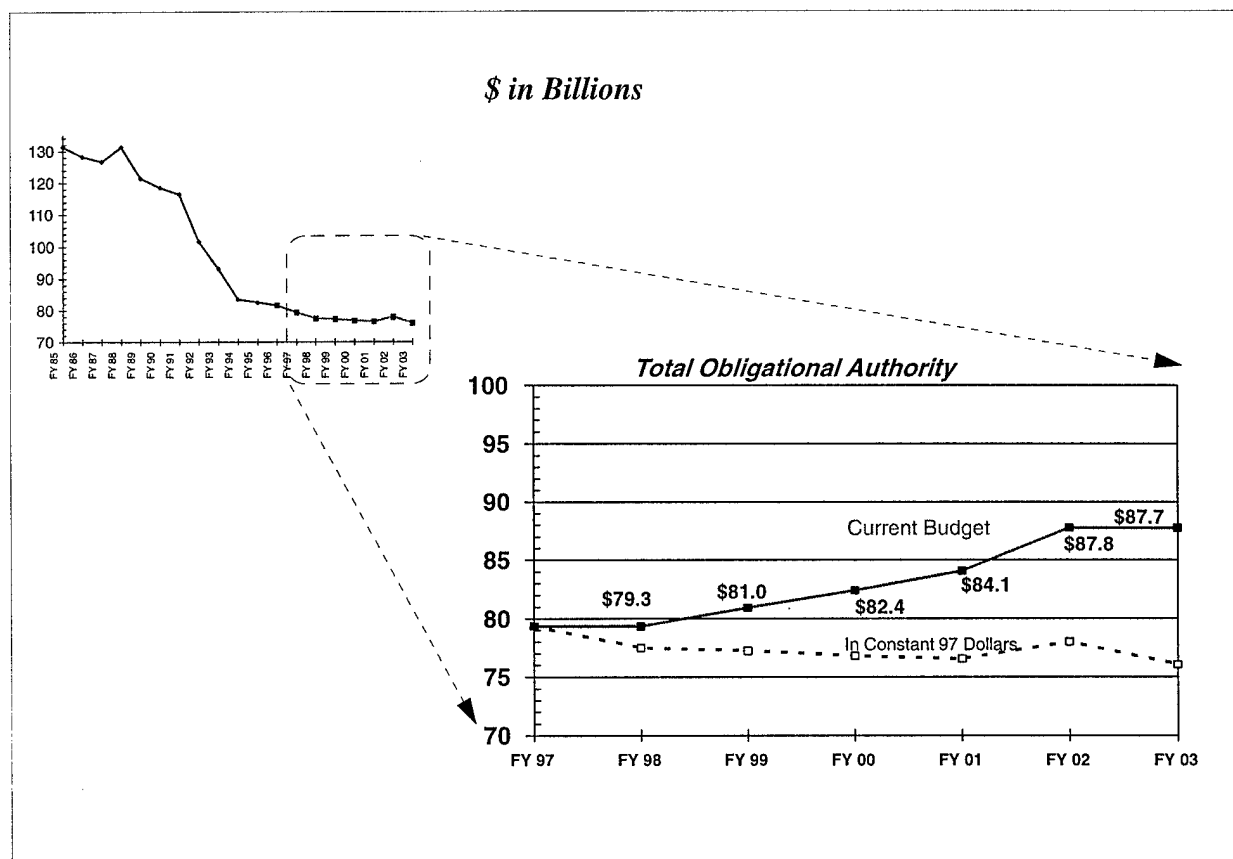


Chart 1 reflects Department of the Navy resources in both current and constant dollars from FY 1997 through FY 2003. The smaller chart provides an historical perspective in constant dollars from FY 1985 through FY 2003.

APPROPRIATION SUMMARY FY 1996 - FY 1999

Department of the Navy

FY 1998/FY 1999 Budget Summary by Appropriation

(In Millions of Dollars)

	FY 1996	FY 1997	FY 1998	FY 1999
Military Personnel, Navy	17,099.2	16,971.0	16,510.1	16,388.0
Military Personnel, Marine Corps	5,743.1	6,061.5	6,151.6	6,330.0
Reserve Personnel, Navy	1,384.7	1,404.3	1,375.4	1,398.0
Reserve Personnel, Marine Corps	384.6	388.3	381.1	390.8
Operation and Maintenance, Navy	21,676.4	20,520.5	21,581.1	21,518.4
Operation and Maintenance, Marine Corps	2,489.3	2,294.3	2,305.3	2,403.9
Operation and Maintenance, Navy Reserve	839.4	885.3	834.7	858.1
Operation and Maintenance, Marine Corps Reserve	102.5	109.5	110.4	115.5
Environmental Restoration, Navy	—	287.5	277.5	287.6
Kaho'olawe Island	27.8	55.1	10.0	—
Aircraft Procurement, Navy	4,454.5	6,872.8	6,086.0	7,669.4
Weapons Procurement, Navy	1,540.7	1,358.4	1,136.3	1,435.7
Shipbuilding and Conversion, Navy	6,547.7	5,492.2	7,438.1	5,958.1
Other Procurement, Navy	2,427.3	2,892.4	2,825.6	4,185.4
Procurement, Marine Corps	442.5	579.7	374.3	695.5
Procurement of Ammunition, Navy and Marine Corps	392.2	283.6	336.8	502.6
Research, Development, Test & Evaluation, Navy	8,471.5	7,855.8	7,611.0	7,756.3
National Defense Sealift Fund	1,024.2	1,426.7	1,191.4	690.0
Military Construction, Navy	549.7	707.1	540.1	475.4
Military Construction, Naval Reserve	19.1	37.6	13.9	15.3
Family Housing, Navy and Marine Corps	1,572.2	1,515.0	1,255.4	1,271.5
Base Realignment and Closure	2,495.9	1,374.7	990.6	605.2
TOTAL DON	\$79,684.5	\$79,373.3	\$79,336.7	\$80,950.7

Table 1 summarizes estimates for this submission by appropriation. Summaries for the individual appropriations may be found in the Appendix to this document.

Table 2 displays a track of FY 1997 appropriation estimates since the submission of the FY 1997 President's Budget with aggregated categorical adjustments for final Congressional action, transfers and other fact-of-life adjustments. Other Procurement, Navy funding of \$107.8 million has been transferred to the Air Force for centralized program management of Predator unmanned aerial vehicles and Operation & Maintenance, Navy funding of \$7.0 million has been transferred for high priority force protection and classified programs. Family Housing, Operations received a transfer of \$.8 million from MILCON, Defense-wide for the Energy Conservation Investment Program. The \$44.5 million reprogramming for Marine Corps appropriations is for various warfighting enhancements, training and recruiting. The Payment to Kaho'olawe account has been increased by \$30.1 million to reflect carryover from prior year balances. A review of BRAC projects scheduled for FY 1997 resulted in reduced requirements of \$70.3 million which will offset funding shortfalls for land sales revenues not realized in execution. FY 1997 also reflects an additional transfer of \$512 million to O&M,N from various procurement accounts to resource NWCF customers.

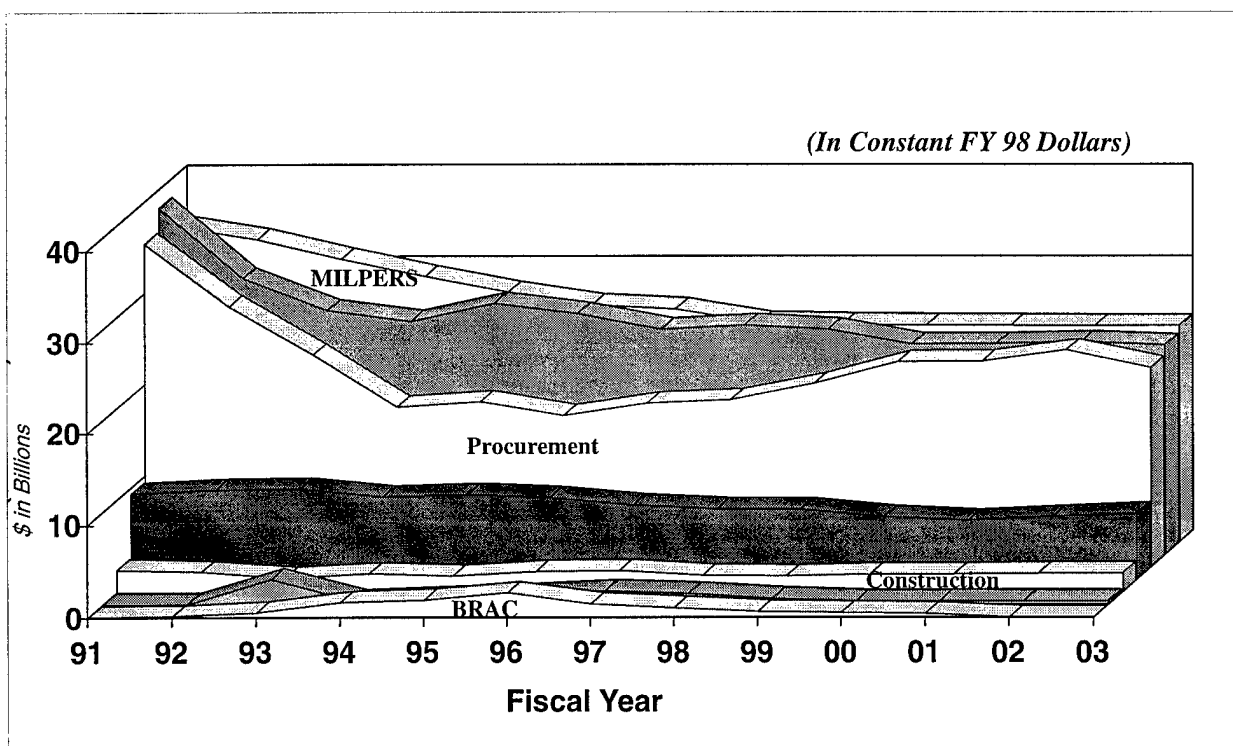
Department of the Navy
FY 1998/FY 1999 Budget Summary
Derivation of FY 1997 Estimates

	FY 1997 President's Budget	Congres- sional Action	Transfers	Other	FY 1997 Current Estimate
<i>Military Personnel, Navy</i>	16,943.0	28.1	—	—	16,971.0
<i>Military Personnel, Marine Corps</i>	6,102.1	3.9	-44.5	—	6,061.5
<i>Reserve Personnel, Navy</i>	1,386.3	18.0	—	—	1,404.3
<i>Reserve Personnel, Marine Corps</i>	381.1	7.1	—	—	388.3
<i>Operation and Maintenance, Navy</i>	20,196.2	-180.7	505.0	—	20,520.5
<i>Operation and Maintenance, Marine Corps</i>	2,203.8	46.0	44.5	—	2,294.3
<i>Operation and Maintenance, Navy Reserve</i>	843.9	41.4	—	—	885.3
<i>Operation and Maintenance, MC Reserve</i>	99.7	9.8	—	—	109.5
<i>Environmental Restoration, Navy</i>	302.9	-15.4	—	—	287.5
<i>Payment to Kaho'olawe</i>	25.0	—	—	30.1	55.1
<i>Aircraft Procurement, Navy</i>	5,882.0	1,131.0	-140.1	—	6,872.8
<i>Weapons Procurement, Navy</i>	1,251.0	135.2	-27.8	—	1,358.4
<i>Shipbuilding and Conversion, Navy</i>	4,911.9	692.5	-112.3	—	5,492.2
<i>Other Procurement, Navy</i>	2,714.2	347.4	-169.2	—	2,892.4
<i>Procurement, Marine Corps</i>	486.6	93.1	—	—	579.7
<i>Procurement of Ammunition, Navy and MC</i>	218.2	71.2	-5.8	—	283.6
<i>Research Development, Test & Eval, Navy</i>	7,334.7	685.2	-164.2	—	7,855.8
<i>National Defense Sealift Fund</i>	963.0	463.7	—	—	1,426.7
<i>Military Construction, Navy</i>	525.3	181.7	—	—	707.1
<i>Military Construction, Naval Reserve</i>	11.0	26.6	—	—	37.6
<i>Family Housing, Navy and Marine Corps</i>	1,418.0	96.2	.8	—	1,515.0
<i>Base Realignment and Closure (II, III, IV)</i>	1,445.0	—	—	-70.3	1,374.7
TOTAL	\$75,645.0	\$3,881.8	-\$113.6	-\$40.2	\$79,373.3

RESOURCE TRENDS

Chart 2 is a graphic representation of Department of the Navy resource trends from FY 1991 through the end of the current Future Years Defense Plan. FY 1991 was a watershed year for DON budgets as the end of the cold war led to significant downsizing of our forces and a concomitant reduction in funding. We increased funding for operation and maintenance accounts after FY 1994, when it became apparent that additional resources were required in these accounts to maintain near-term readiness. Procurement accounts begin to increase in FY 1997, reflecting our recapitalization strategy as new weapons systems, such as the new attack submarine (NSSN), F/A-18E/F, and V-22 begin production.

Chart 2 - Trendlines FY 1991 - FY 2003



February 1997

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SECTION II - READINESS

SHIP OPERATIONS

Battle Force Ships

The size of the deployable Battle Force stabilizes during the budget years, reflecting a changed global threat and corresponding decline in defense resources. The budget provides for a deployable Battle Force of 354 ships by the end of FY 1997, 346 ships by the end of FY 1998 and 335 ships by the end of FY 1999. These numbers are consistent with the Bottom-Up Review range of 330-346 active ship requirement. Ten ships joining the Battle Force in FY 1998 are comprised of eight new construction and two conversions. The eight new ships consist of one nuclear aircraft carrier, three *Arleigh Burke* class guided missile destroyers, one amphibious dock landing ship, one amphibious assault ship, one nuclear attack submarine and one fast combat support ship. The conversions consist of two ammunition ships that will join the MSC as T-AEs. The six ships joining the Battle Force in FY 1999 consist of five new construction and one conversion. The five new construction ships include four *Arleigh Burke* class guided missile destroyers and one oceanographic survey ship. The conversion ship is a destroyer tender that will join the MSC fleet as a T-AD. The addition of these units during FY 1998 and FY 1999 will be offset by the decommissioning of 18 ships in FY 1998 and 17 ships in FY 1999.

Table 3 summarizes battle force ship levels.

Department of the Navy Ship Operations

	<i>FY 1996</i>	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
<i>Battle Force Ships</i>	<i>(356)</i>	<i>(354)</i>	<i>(346)</i>	<i>(335)</i>
<i>Aircraft Carriers</i>	11	11	11	11
<i>Fleet Ballistic Missile Submarines</i>	17	18	18	18
<i>Surface Combatants</i>	115	118	116	117
<i>Nuclear Attack Submarines</i>	79	73	66	55
<i>Amphibious Ships</i>	40	41	41	41
<i>Combat Logistics Ships</i>	41	40	41	41
<i>Support/Mine Warfare</i>	35	35	35	34
<i>Active Reserves *</i>	18	18	18	18

* (includes 1 Reserve Aircraft Carrier)

OPTEMPO

For FY 1998 and FY 1999, deployed ship operations are budgeted as in prior years, with carrier battle groups deploying in worldwide operating areas. The budget provides funds necessary to achieve the Department's OPTEMPO goals of 50.5 underway days per quarter for deployed forces and 28 underway days per quarter for non-deployed forces. Additional deployed underway days in FY 1997 in support of contingency operations in Bosnia and Southwest Asia will be funded from the Overseas Contingency Operations Transfer Fund (OCOTF) as appropriated by the Congress (funding of these contingencies will require submission of a supplemental request). Underway days for contingency operations during FY 1998 and FY 1999 are supported within this budget. Budgeted deployed Fleet OPTEMPO is considered the minimum necessary to meet global forward deployed operational requirements and overseas presence commitments as directed by the unified Commanders-in-Chief. Non-deployed Fleet OPTEMPO provides primarily for the training of fleet units when not deployed, including participation in individual unit training exercises, multi-unit exercises, joint exercises, refresher training, and various other training evolutions. Non-deployed Fleet OPTEMPO levels are considered the minimum required for maintaining a combat ready and rapidly deployable force. Management efficiencies in underway training result in reducing non-deployed OPTEMPO from the traditional 29 days per quarter to 28 days per quarter beginning in FY 1997.

Chart 3 - Active Force OPTEMPO

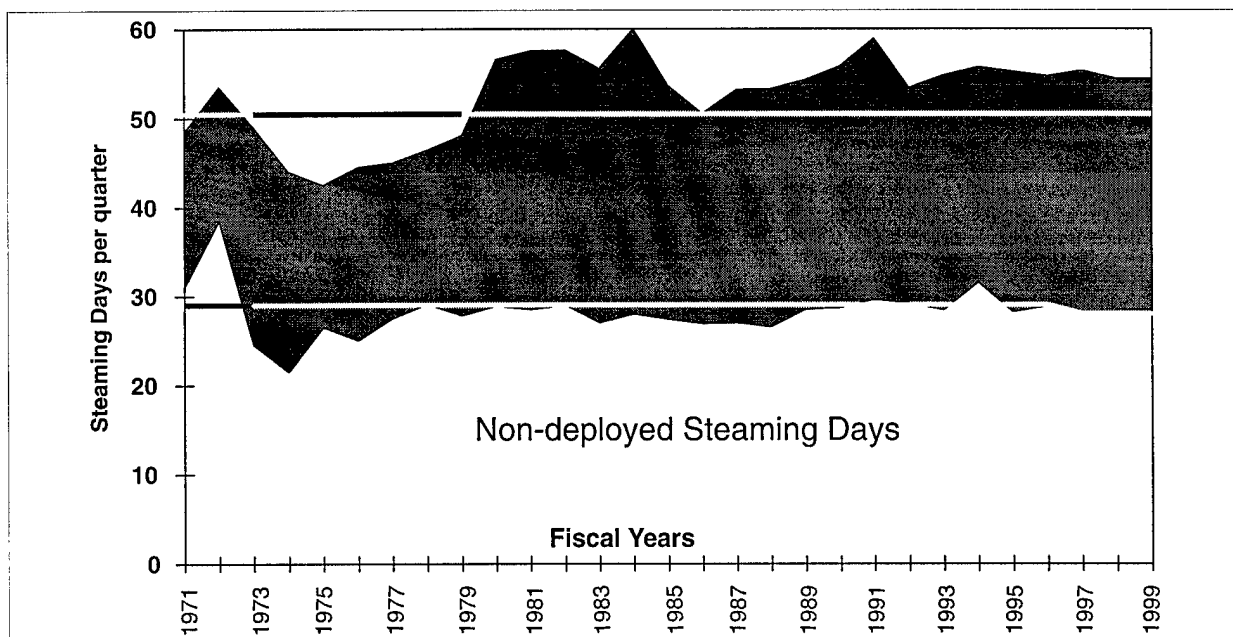


Chart 3 reflects historical ship OPTEMPO steaming days per quarter deployed and non-deployed. Also, displayed as horizontal lines are the deployed and non-deployed budgeted goals. Fluctuations from the goals reflect real world operations, FY 1996 level of 55 days per quarter, FY 1997 estimated days at 55 per quarter, and FY 1998 and FY 1999 budgeted days at 54 days per quarter for known contingencies.

Reserve Battle Force Ships

The Naval Reserve Force will consist of 18 Battle Force ships in FY 1998 and FY 1999. The Naval Reserve has transitioned from primarily a frigate force to multiple class ships. The Naval Reserve now has ten frigates, 1 CV, 2 LSTs, 1 MCS, and 4 MCMs. This expansion allows the Naval Reserve Force to better relieve active operational and personnel tempo.

The CV is budgeted at 31 steaming days per quarter and the remaining Naval Reserve Force ships are budgeted at 18 steaming days per quarter.

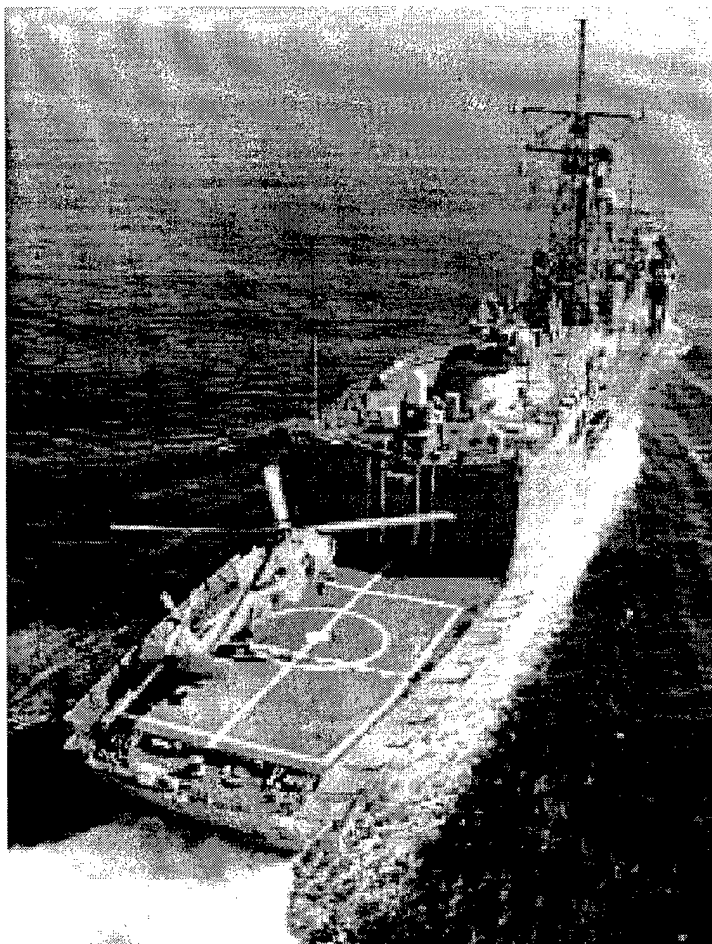


Table 4 reflects Reserve battle force ships and steaming days per quarter.

Department of the Navy Significant Naval Reserve Force Factors

	<i>FY 1996</i>	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
<i>Reserve Battle Force Ships</i>	<i>(18)</i>	<i>(18)</i>	<i>(18)</i>	<i>(18)</i>
<i>Reserve Operational Carrier</i>	1	1	1	1
<i>Surface Combatants</i>	10	10	10	10
<i>Amphibious Ships</i>	2	2	2	2
<i>Support/Mine Warfare</i>	5	5	5	5
<i>Steaming Days Per Quarter</i>				
<i>Reserve Operational Carrier</i>	31	31	31	31
<i>Other Naval Reserve Force Ships</i>	18	18	18	18

Mobilization

Mobilization forces are maintained for rapid response to unforeseen contingencies throughout the world. The Mobility Requirements Study (MRS) and the Mobility Requirements Study Bottom-Up Review Update (MRS-BURU) recommended sealift capacity. Sealift assets include both prepositioning and surge ships. Operating costs of prepositioning ships and exercise costs for surge ships are reimbursed to the National Defense Sealift Fund (NDSF) by the operations account of the requiring Defense component, as parenthetically noted in table 5 below. Department of the Navy O&M appropriations reimburse the biennial exercise costs of the Hospital Ships and the Aviation Maintenance Ships, and will continue to fund the daily operating costs of the Maritime Prepositioning Ships (MPS). Each of the three MPS squadrons is equipped to support a Marine Air-Ground Task Force or Brigade equivalent for 30 days. The Maritime Prepositioning Force Enhancement (MPF-E) ship, *1st LT Harry L. Martin* will provide the warfighting CINC with significant new MPF capabilities. Added in FY 1999 is a prepositioned ammunition ship which will provide an in-theater ordnance stockpile for USCENTCOM. NDSF will assume direct funding responsibility for the Reduced Operating Status (ROS) of all surge ships (FSS, LMSR, T-AH, T-AVB) in FY 1998. NDSF currently funds all Ready Reserve Force ships. A significant enhancement to the Navy Sealift fleet comes on-line in FY 1999, with the delivery and initial operation of the first 2 of 19 Large Medium-Speed Roll-on Roll-off vessels procured through NDSF.

Table 5 displays the composition of Navy mobilization forces.

Department of the Navy Mobilization

	FY 1996	FY 1997	FY 1998	FY 1999
Strategic Sealift (# of ships)				
<i>Prepositioning Ships:</i>				
Maritime Prepo Ships (Navy O&M)	13	13	13	14
Hospital Shuttle/Prepo (Navy O&M)	1	1	1	0
CENTCOM Ammo Prepo (Navy O&M)	0	0	0	1
Army Prepo Ships (Army O&M)	15	16	16	16
Air Force Prepo Ships (Air Force O&M)	3	3	3	3
DLA Prepo Ships (DLA)	3	3	3	3
<i>Surge Ships:</i>				
Aviation Logistics Support (Navy*)	2	2	2	2
Hospital Ships (Navy*)	2	2	2	2
Fast Sealift Ships (Navy*)	8	8	8	8
Ready Reserve Force Ships (NDSF)	94	95	95	95
Large Medium-Speed RORO Ships (NDSF)	0	0	0	2

* Funding for Navy Surge assets transfer from Navy O&M to NDSF in FY 1998.

Ship Depot Maintenance

The budget will satisfy approximately 88% of requirements for active forces ship depot maintenance in FY 1998, 91% in FY 1999 and 94% in FY 1997. The increased level of funding for Ship Depot Maintenance in FY 1998 and FY 1999 reflects the increased number of scheduled overhauls and Restricted Availabilities/Technical Availabilities (RA/TA) required in those years. In addition, the budget includes funding in the Shipbuilding and Conversion, Navy account in FY 1998 for the *Nimitz* (CVN-68) refueling complex overhaul.

This budget satisfies 100% of requirement for Naval Reserve ship depot maintenance.

Tables 6 and 7 display active and reserve ship depot maintenance.

Department of the Navy Active Forces Ship Depot Maintenance (In Millions of Dollars)

	FY 1996	FY 1997	FY 1998	FY 1999
<i>Ship Depot Maintenance</i>	2,048.3	1,866.1	2,040.7	2,354.0
<i>Depot Operations Support 1/</i>	767.4	1,185.1	786.0	926.5
Total: Ship Maintenance (O&MN)	\$2,815.7	\$3,051.2	\$2,826.7	\$3,280.5
CVN Overhauls (SCN)	\$213.9	\$231.7	\$1,707.8	\$243.3
<i>No. of Ship Overhauls (Units)</i>	7	7	9	12
<i>Ship Overhaul Backlog (Units)</i>	-	-	-	-
<i>Estimated No. of RA/TA (Units)</i>	106	80	68	76
<i>Percentage of O&M,N Requirement Funded</i>	-	94%	88%	91%

1/ FY 1997 Depot Operations Support includes \$348.1 million of Congressionally directed Navy Working Capital Fund surcharge.

Department of the Navy Reserve Depot Maintenance (In Millions of Dollars)

	FY 1996	FY 1997	FY 1998	FY 1999
<i>Reserve Ship Depot Maintenance</i>	\$60.2	\$83.6	\$68.3	\$72.6
<i>Percentage of O&M,NR Requirement Funded</i>	100%	100%	100%	100%

AIR OPERATIONS

Tactical Air Forces

This budget provides for the operation, maintenance and training of ten active Navy carrier air wings and three Marine Corps air wings. Naval aviation is divided into three primary mission areas: Tactical Air/Anti-Submarine Warfare (ASW), Fleet Air Support, and Fleet Air Training. Tactical air squadrons conduct strike operations and are flexible in dealing with a wide range of threats identified in the national strategy and provide long range and local protection against airborne and surface threats. Anti-Submarine Warfare squadrons locate, destroy and provide force protection against sub-surface threats, and conduct maritime surveillance operations. Fleet Air Support squadrons provide vital fleet logistics support. Fleet Readiness Squadrons provide the necessary training to allow pilots to become proficient with their specific type of aircraft and transition to fleet operations.

One Navy EA-6B squadron will stand-up in FY 1998 to support the electronic countermeasures mission formerly provided by Air Force EF-111A forces.

The total number of active aircraft will decrease from 2,655 in FY 1996 to 2,556 in FY 1999.

Naval Reserve Air Forces

Naval Reserve aviation has expanded its role by accepting more missions from the active Navy. The Reserves currently provide 100% of the Navy's adversary and outconus logistics requirements and a portion of the electronic training and counternarcotics missions. In addition, all active and reserve airborne mine countermeasures squadrons have been consolidated. These are all part of the Navy's effort to employ Reserve Forces to meet operational requirements.

Table 8 reflects active and reserve air operations.

Department of the Navy
Air Operations

	<i>FY 1996</i>	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
<i>Air Forces - Active</i>	<i>13</i>	<i>13</i>	<i>13</i>	<i>13</i>
<i>Air Wings - USN</i>	<i>10</i>	<i>10</i>	<i>10</i>	<i>10</i>
<i>Air Wings - USMC</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>3</i>
<i>Naval Reserve Air Forces</i>				
<i>Tactical Air Wings (Navy Reserve)</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
<i>Reserve Patrol/ASW Air Wings</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>2</i>
<i>Reserve Helicopter Air Wing</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
<i>Reserve Logistics Air Wing</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
<i>Air Wings (Marine Reserve)</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
<i>Total Reserve Air Wings</i>	<i>6</i>	<i>6</i>	<i>6</i>	<i>6</i>
<i>Active Aircraft Inventory 1/</i>	<i>2,655</i>	<i>2,559</i>	<i>2,552</i>	<i>2,556</i>
<i>Navy</i>	<i>1,587</i>	<i>1,493</i>	<i>1,491</i>	<i>1,497</i>
<i>Marine Corps</i>	<i>1,068</i>	<i>1,066</i>	<i>1,061</i>	<i>1,059</i>
<i>1/ Does not include trainer or TACAMO aircraft.</i>				
<i>Reserve Aircraft Inventory</i>	<i>460</i>	<i>453</i>	<i>444</i>	<i>443</i>
<i>Navy</i>	<i>275</i>	<i>268</i>	<i>259</i>	<i>258</i>
<i>Marine Corps</i>	<i>185</i>	<i>185</i>	<i>185</i>	<i>185</i>

Aircraft OPTEMPO

The FY 1998/FY 1999 budget for the active aircraft flying hour program will provide the funds necessary to achieve the Department's goal of 85% Primary Mission Readiness (PMR) to train and maintain qualified aircrews in the primary mission of their assigned aircraft. This budget also reflects additional PMR and Fleet Air Support in FY 1996 through FY 1999 in support of contingency operations in Bosnia and southwest Asia. FY 1997 will be funded from the Overseas Contingency Operations Transfer Fund (OCOTF) as appropriated by the Congress (funding of these contingencies will require submission of a supplemental request). Contingency Operations during FY 1998 and FY 1999 are supported in this budget. This operational tempo (OPTEMPO) supports ten active carrier wings and three active Marine Corps air wings. Fleet Readiness Squadrons are budgeted at 99% of the requirement to enable pilots to complete the training syllabus. Student levels are established by authorized TACAIR/ASW force level requirements, aircrew maintenance personnel rotation rates and student output from the Undergraduate Pilot/NFO training program. Fleet Air Support requirements correlate with TACAIR operational requirements, while training needs are based on historical execution. Naval Reserve PMR remains budgeted at 87% in FY 1998 and FY 1999.

Table 9 displays active and reserve flying hour readiness indicators.

Department of the Navy Flying Hour Program

	<i>FY 1996</i>	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
<i>Active</i>				
<i>TACAIR Primary Mission Readiness (%) 1/</i>	<i>84%</i>	<i>88%</i>	<i>87%</i>	<i>87%</i>
<i>Fleet Readiness Squadrons (%)</i>	<i>97%</i>	<i>99%</i>	<i>99%</i>	<i>99%</i>
<i>Fleet Air Support (%)</i>	<i>85%</i>	<i>78%</i>	<i>85%</i>	<i>85%</i>

1/ Includes 2% simulator contribution

	<i>FY 1996</i>	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
<i>Reserve</i>				
<i>Primary Mission Readiness (%) 1/</i>	<i>87%</i>	<i>87%</i>	<i>87%</i>	<i>87%</i>

1/ Includes 0.25% simulator contribution

Aircraft Depot Maintenance

The Active Forces Aircraft Depot Maintenance program provides sufficient funding to stabilize backlog at the projected end of FY 1997 level of 172 airframe units. The increases in FY 1998 and FY 1999 are a reflection of a growing maintenance requirement associated with aging Fleet inventory and the material condition of Navy aircraft. This trend was first recognized in FY 1996 when maintenance requirements exceeded available funding and backlog grew to 155 units.

Tables 10 summarize active aircraft depot maintenance.

Department of the Navy Active Forces Aircraft Depot Maintenance (In Millions of Dollars)

	<i>FY 1996</i>	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
<i>Airframes</i>	338.5	478.1	528.0	520.8
<i>Engines</i>	163.5	137.5	156.7	163.7
<i>Components</i>	25.3	26.4	31.6	33.1
<i>Total: Aircraft Depot Maintenance</i>	<i>\$527.3</i>	<i>\$642.0</i>	<i>\$716.3</i>	<i>\$717.6</i>
<i>Airframes Backlogged</i>	155	172	172	172



MARINE CORPS OPERATIONS

Marine Corps

This budget will support a Fleet Marine Force (FMF) of three active divisions, and associated combat support and combat service support elements, station and Marine-unique support for three aircraft wings and the operation and maintenance of training bases, logistics functions and administrative activities.

The budget includes support, at minimally acceptable levels, for the Operating Forces of the Marine Corps, to include continuation of the fielding of improved equipment for the individual Marine; continues progress in reducing the depot level maintenance backlog, finances minimal essential levels for the base operating support, and provides for the first increments in support of outsourcing and privatization studies. The Budget supports the stand-up of Marine Corps Air Station, Miramar, while financing minimal levels of base operating support at Marine Corps Air Stations El Toro and Tustin, until these bases close in FY 1999.

The budget continues a variety of quality-of-life initiatives including increased funding for BEQ maintenance.

Table 11 displays Marine Corps land forces and training days.

**Department of the Navy
Marine Corps Land Forces
Training Days**

	<i>FY 1996</i>	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
<i>Number of Divisions</i>	3	3	3	3
<i>Number of Battalions</i>	43	43	43	43
<i>Training Days</i>	5,125	5,193	5,190	5,190

Marine Corps Reserve Operations

This budget supports a Marine Reserve Force that includes the Fourth Marine Division, the Fourth Marine Aircraft Wing, the Fourth Force Service Support Group and the Marine Corps Reserve Support Command.

MILITARY PERSONNEL

Military Personnel budget estimates include pay raises of 3.0%, effective 1 January 1997, 2.8% in 1998 and 3.0% in 1999.

Navy

This budget will support active Navy end strengths of 402,013 in FY 1997, 390,802 in FY 1998 and 384,888 in FY 1999. End strength declines as we attain the Bottom-Up Review force structure, reduced infrastructure and incorporate manning efficiencies. Navy's primary focus continues to be quality of life and maximum readiness through selective retention of qualified and experienced personnel. Fluctuations in the amounts for pay and allowances for officers and enlisted are being caused by a change in the Retired Pay Accrual Normal Cost Percentage and the net overall changes in end strength reductions from year to year.

Chart 4 - Active Military Personnel End Strength

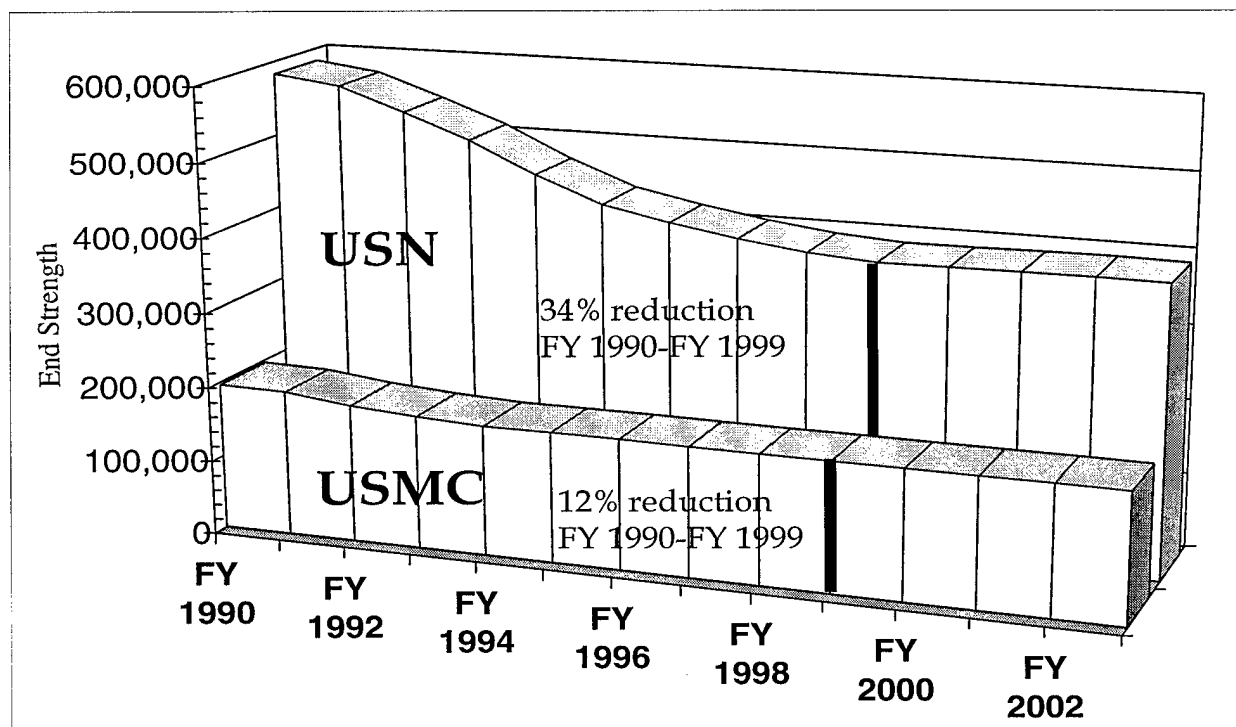


Chart 4 graphically displays Military Personnel reductions through FY 2003.

Marine Corps

This budget will support a steady end strength of 174,000. Significant initiatives are included in this budget with respect to the Top Six and the Aviation Continuation Program. This budget provides an increase in the E4-E9 grades, reflecting the results of a recent enlisted grades structure review calling for more experienced and tenured personnel. Also, starting in FY 1997, the Marine Corps will discontinue the 2-year Aviation Continuation Pay bonus in favor of a 6-year plan. This change is consistent with other Services and reflects higher than expected attrition and the anticipated increase in competitive civilian hiring.

Tables 12 and 13 provide summary personnel end strength data for Military Personnel, Navy and Military Personnel, Marine Corps, respectively.

Department of the Navy Military Personnel, Navy

	FY 1996	FY 1997	FY 1998	FY 1999
End Strength				
Officers	57,477	56,265	55,695	55,008
Enlisted	355,048	341,748	331,107	325,880
Midshipmen/NAVCADS	4,210	4,000	4,000	4,000
Total: End Strength	416,735	402,013	390,802	384,888
 Accessions	 40,846	 48,189	 47,666	 47,630
Reenlistments	40,146	43,702	35,457	30,379

Department of the Navy Military Personnel, Marine Corps

	FY 1996	FY 1997	FY 1998	FY 1999
End Strength				
Officers	17,931	17,978	17,978	17,978
Enlisted	156,952	156,022	156,022	156,022
Total: End Strength	174,883	174,000	174,000	174,000
 Accessions	 33,122	 35,223	 36,718	 34,067
Reenlistments	13,761	15,373	14,947	14,947

Naval Reserve

This budget will support Naval Reserve end strength of 94,294 in FY 1998 and 93,582 in FY 1999. The Department remains committed to increasing use of the Naval Reserve in the "Total Force". The budget will provide for extensive contributory support of the active forces in addition to the roles and missions specifically assigned to reserve units. Examples of contributory support include active participation in worldwide contingencies, intelligence support, fleet exercises/deployments, air logistics operations, counterdrug missions, mine and inshore undersea warfare and extensive medical support of the active forces.

The budget provides for pay and allowances for Selected Navy Reserve personnel attached to specific units and Active Reserve personnel. Additionally, other training and support funding provides for necessary travel, training and entitlement programs such as education and incentive benefits.

Table 14 provides end strength data for the Reserve Personnel, Navy account.

Department of the Navy Reserve Personnel, Navy

	FY 1996	FY 1997	FY 1998	FY 1999
<i>End Strength</i>				
<i>SELRES</i>	80,069	79,272	78,158	77,509
<i>Sea/Air Mariner</i>	341	—	—	—
<i>Full-Time Act Duty (TARS/TEMACs)</i>	17,546	16,626	16,136	16,073
Total: End Strength	97,956	95,898	94,294	93,582

Marine Corps Reserve

This budget will support a Marine Corps Reserve end strength of 42,000 in FY 1998 and FY 1999. This will ensure availability of trained units to augment and reinforce the active forces, provide a Marine Air-Ground Task Force Headquarters, and provide for the Marine Forces Reserve (MARFORRES), comprised of a Fourth Marine Division, Fourth Marine Aircraft Wing, and Fourth Force Service Support Group, and the Marine Corps Reserve Support Command.

The budget provides for pay and allowances for Selected Marine Corps Reserves attached to specific units; for Individual Mobilization Augments and personnel in the training pipeline; and Active Reserve personnel. Additionally, other training and support funding provides for necessary travel, training and entitlement programs such as education and incentive benefits.

The Department remains committed to increasing Reserve contributory support capability to enhance and complement the active force while maintaining unit readiness to meet crisis requirements. Table 15 provides personnel strength data for these accounts.

Department of the Navy Reserve Personnel, Marine Corps

	<i>FY 1996</i>	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
<i>Selected Marine Corps Reserves</i>	39,529	39,441	39,441	39,441
<i>Full Time Support</i>	2,548	2,559	2,559	2,559
<i>Total: End Strength</i>	<i>42,077</i>	<i>42,000</i>	<i>42,000</i>	<i>42,000</i>

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SECTION III - RECAPITALIZATION

SHIP PROGRAMS

Surface Programs

Surface ship programs are integral to projecting the Nation's power. The Department's FY 1998/FY 1999 budget reflects this emphasis by budgeting funds to improve and recapitalize the Navy's current and future surface ship capability. The FY 1998 *Arleigh Burke* class Destroyer Multi-year Procurement (MYP) highlights the Navy's emphasis on providing the most capable surface ship platform in the most cost conscious manner possible. The *Arleigh Burke* class MYP plan provides for 12 ships over the next four years. This accelerates the fielding of the Navy's most capable surface combatant at a significantly reduced cost, due to stabilized production rates and economic order quantity procurements. Similarly, the Arsenal Ship Demonstrator, which will begin construction in FY 1998, reflects the Navy's emphasis on future surface ship capability. The Arsenal Ship is a joint Navy-DARPA program which will utilize innovative acquisition methods to quickly evaluate and deliver a high firepower surface platform. Also commencing in FY 1998 will be the contract design work for the future surface combatant (SC 21). This ship, planned to award in FY 2003, will be the follow-on combatant to the *Arleigh Burke* class.

The Navy's commitment to upgrade its current surface ship capability is apparent in the FY 1998 funding of the *Nimitz* (CVN-68) refueling complex overhaul (RCOH). This effort reflects not only the Navy's first *Nimitz* class RCOH but also includes the incorporation of required warfighting and communication upgrades. Furthermore, the Navy has budgeted funds for the construction of CVN-77, as well as the research and development of advanced technologies and design for the Nation's future carrier (CVX). These advancements are linked to the development effort and technology transition for both CVN-77 and SC-21. In this fashion the Navy can best utilize the benefits derived from all ship modernization and development efforts.

Emphasis on littoral warfare remains a top priority as indicated by the continued development of the Naval Surface Fire Support plan. Funds are budgeted in FY 1998/FY 1999 for the development and initial production of the Extended Range Guided Munition. Furthermore, FY 1998 funding will be increased for the Navy's mine warfare campaign plan. This plan identifies technologies for use in improving the Navy's overall mine countermeasures capability, such as development of the surface ship launched remote minehunting system. In addition, this

budget submission reflects a delay of the first follow-on LPD-17, the Navy's newest amphibious assault ship, from FY 1998 to FY 1999. This shift occurs as a result of the delay of the FY 1996 award to FY 1997 and sustains the traditional gap year following lead ship award.

The FY 1998 budget supports the continued development of improved ship self defense features such as Cooperative Engagement Capability, which is scheduled to complete testing of the shipboard variant in FY 1998 leading to full scale production in FY 1999. Anti-ship missile defense is bolstered by the ongoing improvements to the Advanced Integrated Electronic Warfare System and NULKA as well as Standard Missile, the Rolling Airframe Missile, and the Evolved Sea Sparrow Missile, for which production efforts will be initiated in FY 1998 and FY 1999 to support Navy and international missile procurements.

Chart 5 - Shipbuilding and Conversion Programs

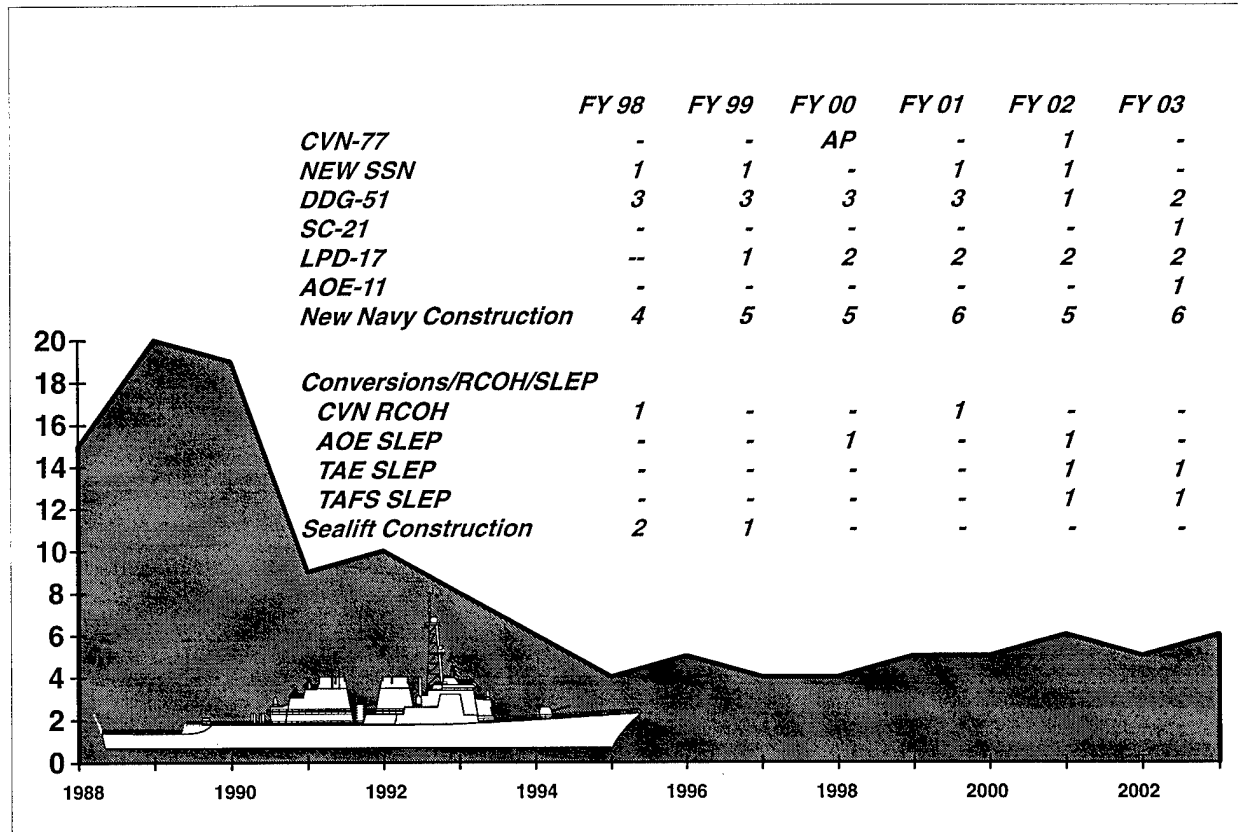
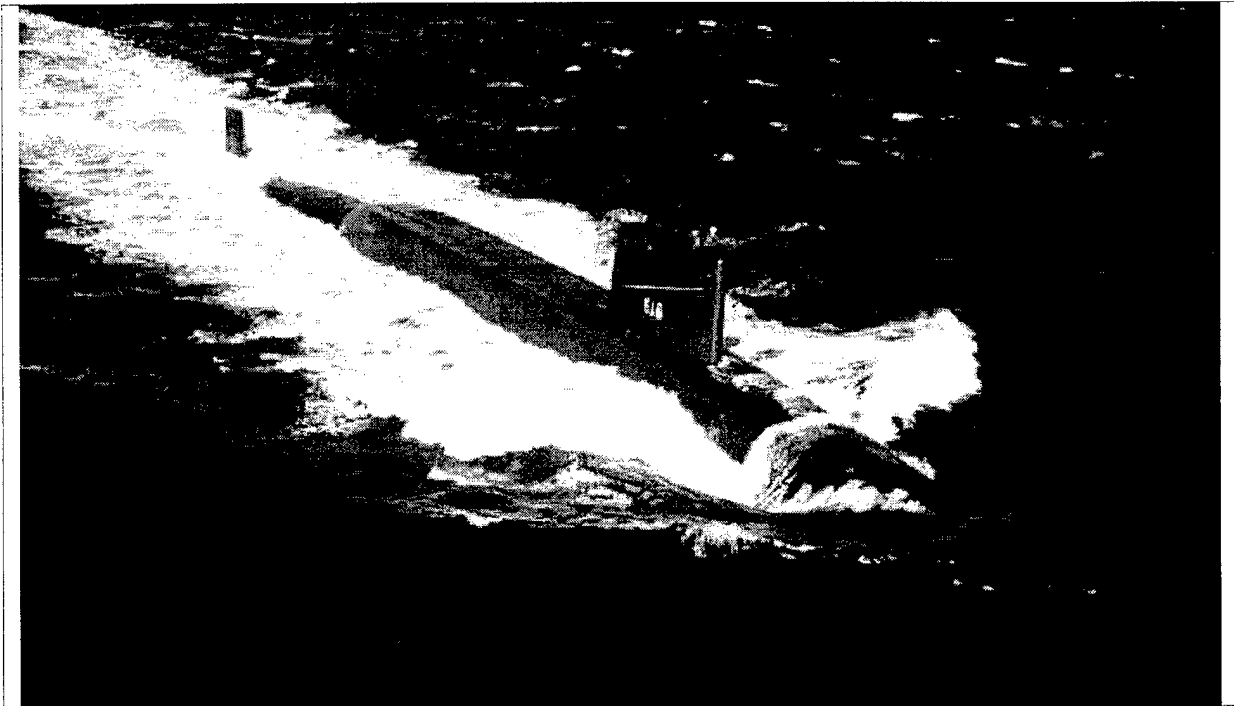


Chart 5 graphically displays new construction ships for FY 1988 through FY 2003 .



Submarine Programs

This budget reflects our commitment to support the necessary replacement of our aging submarine force in the next decade and sustains the submarine industrial base. This budget includes the last increment of funding required to complete the construction of the final *Seawolf* class SSN. The *Seawolf* class SSN authorized in FY 1996 will bridge the gap in submarine construction until the New Attack Submarine (NSSN) commences in FY 1998. The NSSN acquisition plan is based on a teaming arrangement between General Dynamics, Electric Boat division, and Newport News Shipbuilding Company. The plan provides for the shipyards to jointly build the first four submarines under a multi-year procurement contract. The teaming plan will minimize program costs, maximize learning and productivity, and minimize risk to national security by maintaining two commercial nuclear ship facilities.

The Department is firmly committed to increasing efforts in Advanced Submarine Technology programs. Additional funds have been budgeted in FY 1998 through FY 2000 to accelerate development of core technologies and emerging Category I and II technologies identified in Appendix C of the *Secretary of Defense Report on Nuclear Attack Submarine Procurement and Submarine Technology*. Specific efforts will be directed at improving submarine acoustic sensor processing and pursuing technologies that will enhance affordability and maintainability of future nuclear attack submarines.

To ensure strategic deterrence, the procurement rate for the TRIDENT II (D-5) will continue to be 7 missiles in FY 1998 and FY 1999 and 12 missiles across FY 2000 and FY 2003. The budget continues to reflect the

assumption that the United Kingdom will procure 5 missiles a year in FY 1997 - FY 1999. The FY 1998 request includes a significant funding increase in Strategic Missile Systems Equipment requirements to support the first D-5 conversion planned in FY 2000.

Submarine sonar system development and procurement programs have been restructured to take advantage of rapid advances in commercial processing technology. The restructured Acoustic Rapid COTS Insertion program provides the latest technology and advanced development algorithms to the fleet sooner and ensures our submarine force maintains acoustic superiority.

Sealift

A total of 19 prepositioning /surge Large Medium Speed Roll-on/Roll-off (LMSRs) ships will be required to satisfy sealift requirements identified by the DOD Mobility Requirements Study. To date, contracts for the conversion of five and the construction of 10 LMSRs have been awarded. One additional LMSR, added by Congress, has yet to be awarded in FY 1997 with another two budgeted in FY 1998. The remaining LMSR will be procured in FY 1999.

AVIATION PROGRAMS

The FY 1998/FY 1999 biennial budget provides for aviation procurement plans that will carry the Navy and Marine Corps team into the next century, with procurement of 51 and 71 aircraft respectively. Two major naval aviation programs, F/A-18 E/F and V-22, will enter their second year of procurement. These play a central role in the Navy and Marine Corps Team's ability to project power from the sea. Funding in FY 1998 supports the start of the Vertical Replenishment Helicopter (CH-60) program which will maintain fleet sustainability through rapid airborne delivery of materials and personnel, and to support amphibious operations through search and rescue coverage. Funding in FY 1999 supports continued development of the EA-6B Improved Capability (ICAP III) program which allows the Air Force to retire the EF-111 aircraft. The budget reflects a reduction in aircraft Advance Procurement (AP) funding beginning in FY 1998 to reflect minimum essential funding for government and contractor furnished equipment.

Aircraft modifications funding will increase in both FY 1998 and FY 1999. This funding will be targeted to upgrade safety and capability of platforms. New or increased FY 1998 efforts will include the Block II Upgrade program; F-14 LANTIRN precision strike capability; and training equipment associated with the SH-60B Forward Looking Infrared Radar. FY 1999 funding increases will support; F/A-18 Service Life Extension Program and Multi-function Information Distribution System capability as well as development of the Generation III Targeting Forward Looking Infrared Radar; the P-3 Service Life Assessment Program, Anti-Surface Warfare Improvement Program (AIP) efforts and Update III



V-22 Osprey Joint Service Aircraft

Common Configuration program; S-3 airframe safety and avionics efforts; and upgrades to tactical aircraft electronic warfare countermeasures capabilities.

The budget continues to reflect a strong commitment to joint aircraft and weapons programs. Funding in FY 1998 supports Critical Design Review and fabrication/assembly efforts which continue into FY 1999 for the special operations variant of the V-22. Funding in support of Joint Strikefighter efforts in FY 1998/FY 1999 center on concept demonstration efforts and technology maturation demonstration and assessment.

Joint aircraft weapons systems which provide battle space dominance in support of operations in the littorals include ongoing programs with the Air Force including AMRAAM, and the Joint Standoff Weapons System Baseline variant, for which the Navy is executive agent. The Navy will begin participating with the Air Force in development of the Joint Air to Surface Standoff Missile in FY 1998. Procurement of the Joint Direct Attack Munition (JDAM) will begin in FY 1998 to answer the need identified during Operation Desert Storm for a more accurate weapon delivery capability in adverse weather conditions and from medium and high altitudes. JDAM is being procured jointly with the Air Force under

Chart 6 - Aviation Programs

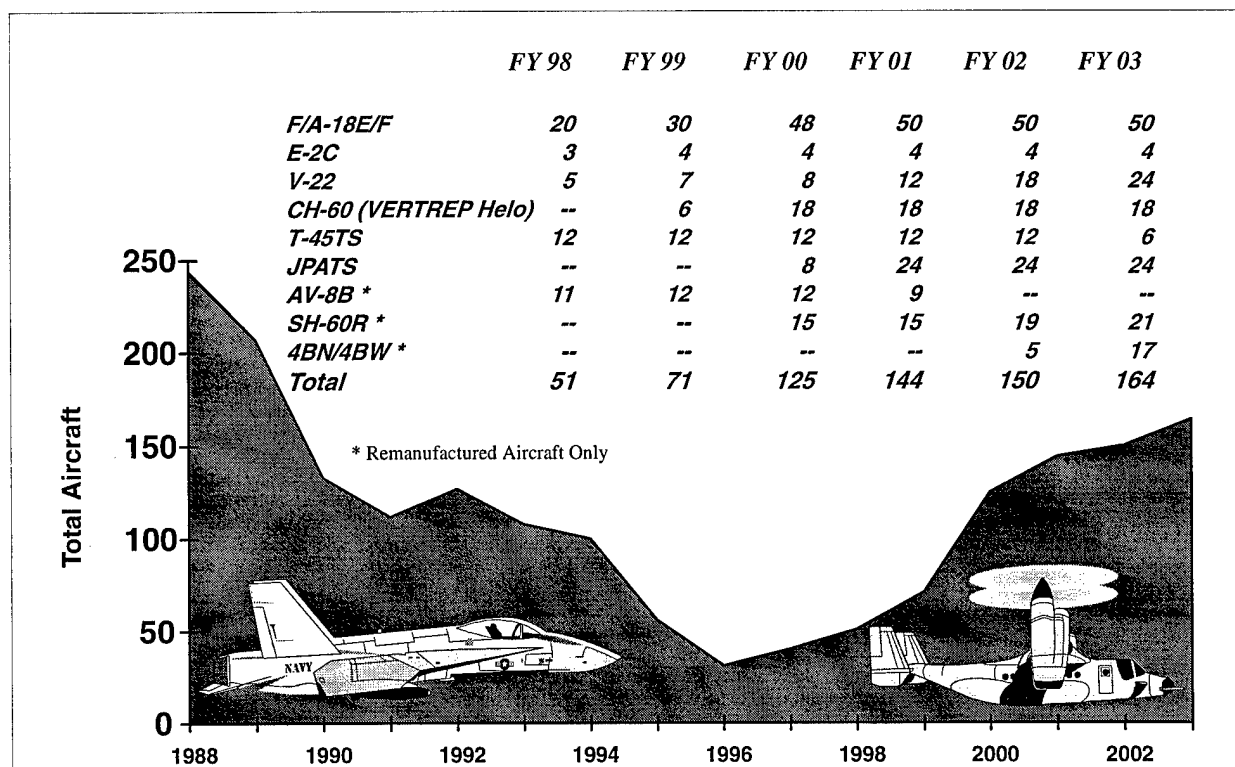


Chart 6 graphically displays the Department's aircraft procurement program reflective of our recapitalization efforts.

* Remanufactured aircraft only

an acquisition strategy that has resulted in unit cost savings to both Services in excess of 50%.

In addition to the joint weapons systems, the budget includes funding for Navy-unique programs. The full rate production of SLAM-Expanded Response (ER) will begin in FY 1999. With sonobuoy procurement emphasis shifting from passive to active sonobuoys for shallow water use, procurement quantities have been increased throughout the FYDP. Funding will be increased in FY 1999 to support the procurement of Airborne Expendable Countermeasures active jammers for the F/A-18 E/F, Combat Survival Evader Locator radios, Aviation Life Support Equipment and Airborne Mine-Countermeasure equipment.

C4I PROGRAMS

The central theme shaping the budget for Navy C4I programs is the Copernicus architecture. This evolutionary plan incorporates Congressional direction for greater utilization of commercial products, modernization of the communications infrastructure, and Joint Staff requirements for interoperability. Funding increases in FY 1999 reflect the realization of that strategy after years of partial deferment. Copernicus revolves around four key elements: connectivity, a common tactical picture, a sensor-to-shooter emphasis, and information/command and control warfare.

Connectivity is critical because it provides the managed bandwidth for timely transmission of information. Increased support for SHF, EHF and the Joint UHF MILSATCOM Network Integrated (JIMINI) Control System continues expansion of available bandwidth to the warfighter, and ensures all twelve Carrier Battle Groups are so equipped. JIMINI will be completely procured and installed in FY 1999/FY 2000. Funding continues in FY 1998/FY 1999 for UHF Demand Access, Challenge Athena and Global Broadcast System, which exploit multiplexing techniques, direct satellite broadcast and wideband transmission systems while capitalizing on commercial advancements. Funding increases in FY 1998/FY 1999 for Base Level Information Infrastructure will increase funding to the level necessary to resolve the digital modernization of shore C4I sites and implement the Defense Messaging System by the required date of FY 2008. Communications automation and standardization for ships, especially smaller units, will be realized through FY 1999 increases to Naval Modular Automated Comm System NAVMACS-II and high speed fleet broadcast.

Common Tactical Picture is all information spanning the spectrum from the sensor to the shooter that allows tactical commanders to understand the battlespace. Joint Maritime Command Information System (JMCIS) provides the software and Naval Tactical Command Support System (NTCSS) installs the backbone fiber optic LAN supporting information flow for all ships. FY 1999 funding will put NTCSS on 45% more units than in FY 1998. JMCIS is Navy's migration path to the Global Command and Control System and full interoperability with all Services.

Sensor-to-Shooter focuses on the process of putting a weapon on target. The emphasis for achieving this is on the linkage between the end units. Increased funding in FY 1998/FY 1999 for Advanced Tactical Data Links (ATDLS) and Battle Group Passive Horizon Extension System/Common High Bandwidth Data Link (BGPHE/CHBDL) will ensure timely transmission of surveillance, targeting, engagement, combat identification, and battle damage assessment information. Over half of BGPHE/CHBDL systems will be procured by FY 1999, guaranteeing full operating capability by the end of the FYDP. ATDLS is the system for ensuring Link-16 compatibility.

Information Warfare/Command and Control Warfare (IW/C2W) is the integrated use of operations security, military deception, psychological operations, electronic warfare and physical destruction to deny information to, influence, degrade or destroy an adversary's C2 capabilities, while protecting friendly C2 capabilities against such actions. FY 1999 funding increases reflect the Navy's strong commitment to this principle, demonstrated by increased development and deployment of offensive systems such as Outboard and Combat DF, and the concurrent defensive thrust provided by enhanced support of the Information Security program.

MARINE CORPS GROUND EQUIPMENT

The FY 1998/1999 biennial budget continues to support the Operational Maneuver From the Sea concept and efforts to modernize and recapitalize Marine Corps ground combat forces. These efforts are financed in both the RDT&EN and Procurement, Marine Corps appropriations.

There are several development efforts underway to support ground warfare. The Advanced Amphibious Assault Vehicle (AAAV) will replace the twenty-year-old Amphibious Assault Vehicle. This critical program is continuing in the demonstration and validation phase with Test Readiness Review scheduled in FY 1999. The Lightweight 155mm Howitzer, a replacement for the aging, operationally deficient M198 Howitzer, will provide fire support with increased mobility, survivability, deployability and sustainability in an expeditionary environment. Development, prototype and engineering efforts will continue in FY 1998 and FY 1999; long-lead funding for FY 2000 production is also budgeted in FY 1999. Development and engineering efforts for the Medium Tactical Vehicle Remanufacture program will be essentially completed in FY 1998. The low-rate initial procurement of 808 remanufactured vehicles commences in FY 1999. This program will remanufacture 5-ton trucks over the next five years and provides for the economical replacement of the current with enhanced off-road capabilities.

Marine Corps fire power is enhanced with the procurement of the Javelin missile, a medium range, man-portable, anti-tank weapon which will replace the Dragon system. Initial procurement of the Short Range



Artist's conception of the planned Marine Corps Advanced Amphibious Assault Vehicle (AAAV).

Anti-Armor Weapon (Predator), a light-weight, disposable, main battle tank killer is budgeted in FY 1999.

In an effort to ensure connectivity and interoperability on the battlefield, several communications and electronics initiatives are under way. These include the Tactical Data Network (TDN), the Data Automated Communications Terminal (DACT) and the Digital Technical Control (DTC). The TDN will augment the existing Marine Air Ground Task Force (MAGTF) communications infrastructure to provide the commander an integrated data network, forming the communication backbone for MAGTF Tactical Data Systems and Defense Message System (DMS). The DTC provides the primary interface between subscriber systems/networks within a local area and long haul multi-channel transmission system to transport voice, message, data and imagery traffic. The DACT is a hand-held, automated message terminal that will be widely used on the battlefield. The initial procurement for TDN and DTC will be in FY 1998.

The maintenance concept of fix as far forward as possible will be supported with the FY 1999 procurement of High Mobility Multi-Purpose Vehicle-Heavy Variant with a Tool/Equipment shelter to perform repairs to combat equipment as far forward as the tactical situation allows. Third Echelon Tests Sets, with low-rate initial procurement quantities procured in FY 1997, is budgeted at increased rates in FY 1998/FY 1999 to provide mobile automatic test capabilities for weapons systems to the forward edge of the battlefield.

Funding for the procurement of ammunition is reflected in the Procurement of Ammunition, Navy and Marine Corps appropriation. This budget finances sufficient quantities of ammunition to satisfy Combat Requirement levels while maintaining current Strategic and Residual Reserve Requirements inventories. Annual training requirements are fully financed.

The Commandant of the Marine Corps has been designated as the DOD Non-lethal Weapon (NLW) Executive Agent. NLWs are explicitly designed, and will be primarily employed, to incapacitate personnel or material while minimizing fatalities, permanent injury to personnel, and collateral damage to property and the environment. In FY 1998, all Services' non-lethal development will be financed in the DON budget. The procurement of NLW remains the responsibility of the individual Services.

The Commandant's Warfighting Laboratory is the centerpiece for operational reform in the Corps, investigating new and potential technologies and evaluating their impact on how the Marine Corps organizes, equips, and trains to fight in the future. This budget continues to finance the Marine Corps led experimentation with future tactics, concepts and innovations involving both Marine and Navy forces.

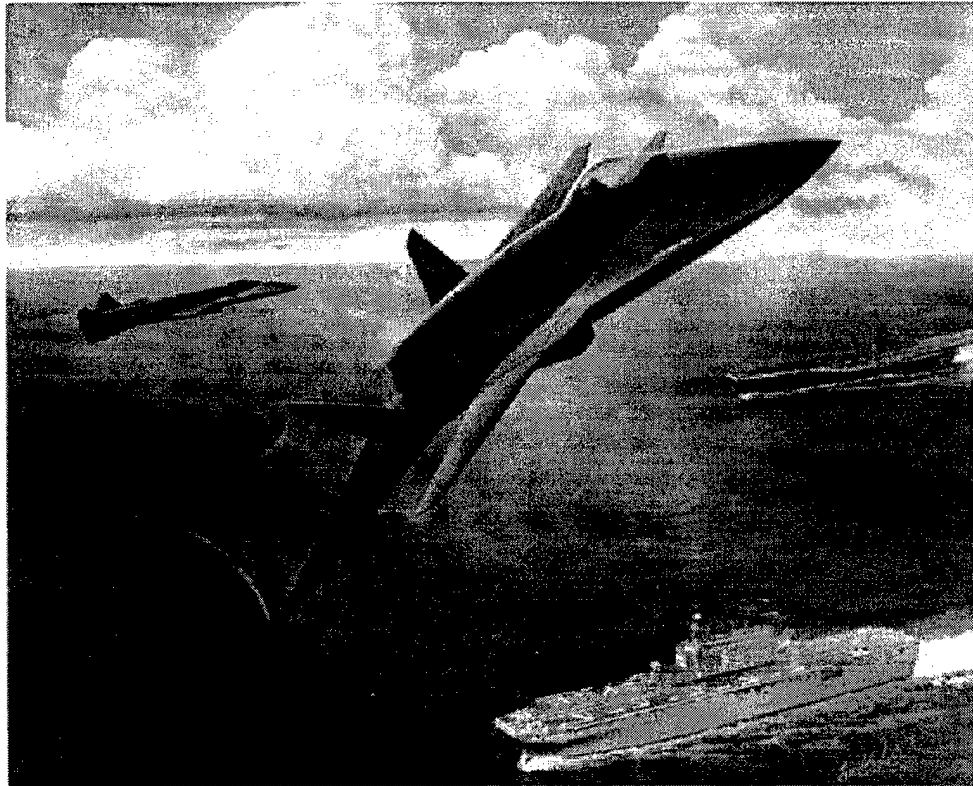
RESEARCH AND DEVELOPMENT SUPPORT

The Department's Science and Technology program is focused on exploring the technologies which will contribute to future naval warfare capabilities.

The **Basic Research** program provides for scientific study and experimentation directed towards increasing knowledge and understanding across the full spectrum of long-term Department of the Navy needs, including ocean sciences, advanced combat system materials, and warfighting information processing. Research is conducted to ensure that both cutting-edge scientific discoveries and the general store of scientific knowledge are optimally used to develop superior naval equipment, strategies, and tactics. The FY 1998 and FY 1999 budgets maintain the FY 1997 baseline funding level adjusted for inflation.

The **Applied Research** program includes efforts directed toward the solution of specific naval problems, short of major development projects. Significant new technology base efforts are required to ensure that the sea services will be able to dominate the littoral battlespace under future threat scenarios. The environmental properties of shallow water and the sea-land interface require continued measurement and analysis. Overall, FY 1998 and FY 1999 funding levels for Applied Research maintain an emphasis in key areas, such as surface ship, submarine, aircraft and weapons technologies; command, control and communications; materials, electronics and computers; electronic warfare; undersea surveillance and mine warfare; and Marine Corps landing force technologies. While overall funding levels basically are stable, with a few of the program areas decreasing, FY 1998 and FY 1999 reflects increased funding for ship and submarine technology applied research, which, in turn, will lead to future ship manning reductions and operation and maintenance cost savings.

The **Advanced Technology Development** program supports technology demonstrations that reflect the naval focus on littoral operations, including demonstrations that support Ship Self-Defense, Cooperative Engagement, and Mine Countermeasure. FY 1998 continues funding for critical Cruise Missile Defense initiatives, advanced electronic warfare and underseas warfare technology demonstrations. An overall increase in FY 1999 funding supports increased hull, mechanical and electrical systems advanced technologies which will be incorporated into future ship and submarine developments, such as the new surface combatant (SC-21) and new attack submarine (NSSN), as well as major auxiliary and other support ship improvements. Additionally, funding of Fleet Advanced Technology Demonstrations starts in FY 1998. These demonstrations transition near-term risk-reducing and emerging technologies to operational Fleet units faster and at less total cost than traditional development programs.



Artist's conception of the proposed Joint Strike Fighter (JSF).

RDT&E **Management Support** provides funding for installations required for general research and development use. This budget activity includes the test and evaluation support program required to operate the Navy's test range sites, R&D aircraft and ship funding, and threat simulator development efforts. This general funding level reflects required R&D infrastructure support commensurate with overall Navy force structure and facilities and management consolidations. FY 1998 funding increases by about 10 percent over FY 1997 levels, mainly reflecting a change in financing for test and evaluation activities. Additionally, FY 1998 and FY 1999 increases include the initial development of Harpoon and Standard Missile (SM-2) targets, a major replacement of hydrophones at the Atlantic Undersea Test and Evaluation Center (AUTEC), as well as critical aircraft and weapons related Test and Evaluation (T&E) equipment upgrades. We have deferred all but critical modernization efforts at T&E facilities until the final recommendations on the Department of Defense Vision 21 study are known.

The remaining categories of research have been discussed as applicable in the previous sections. Table 16 provides summary financial data for the Research, Development, Test and Evaluation, Navy appropriation.

Department of the Navy
Research, Development, Test and Evaluation, Navy
(In Millions of Dollars)

	FY 1996	FY 1997	FY 1998	FY 1999
<i>Basic Research</i>	371.5	352.1	382.1	399.6
<i>Applied Research</i>	537.7	534.8	490.3	539.1
<i>Advanced Technology Development (ATD)</i>	472.2	501.1	433.3	470.5
<i>Demonstration & Validation (DEM/VAL)</i>	1,712.9	1,930.1	2,135.1	2,233.5
<i>Engineering & Manufacturing Development</i>	2,344.8	2,143.9	2,085.8	2,032.5
<i>RDT&E Management Support</i>	684.7	538.6	595.3	613.2
<i>Operational Systems Development</i>	2,347.7	1,855.2	1,489.1	1,467.9
Total: RDT&E,N	\$8,471.5	\$7,855.8	\$7,611.0	\$7,756.3

Significant RDT&E,N Programs:	FY 1996	FY 1997	FY 1998	FY 1999
<i>Science and Technology</i>	1,381.4	1,388.1	1,305.7	1,409.2
<i>V-22</i>	717.4	552.1	529.5	272.7
<i>F/A-18</i>	864.0	422.7	317.0	198.9
<i>Joint Strike Fighter</i>	80.0	246.1	448.9	443.5
<i>New Attack Submarine</i>	428.3	462.0	396.5	292.2
<i>C4I</i>	389.5	281.9	217.8	285.4
<i>Cooperative Engagement Capability</i>	251.7	224.8	139.2	87.6
<i>TOMAHAWK</i>	157.7	140.4	93.4	67.3
<i>JDAM/JSOW</i>	107.8	115.9	84.2	90.7

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SECTION IV - EFFICIENCY

BASE REALIGNMENT AND CLOSURE II, III & IV

BRAC II - Base Closure and Realignment II costs have been revised and reflect the near completion of the BRAC II program. Of the 36 bases covered by BRAC II, 35 will complete operational closure or realignment by the end of FY 1997. The remaining activity will complete closure under re-direction of BRAC IV. With the completion of these closures, the budget reflects an infusion of funds supporting critical environmental restoration efforts at Naval Stations Long Beach and Treasure Island, Naval Air Station Moffet Field, and Naval Construction Battalion Center, Davisville as these locations have re-use plans.

BRAC III - Base Closure and Realignment III costs reflect the closure or realignment of 91 naval facilities. The Department is committed to make closing facilities available to community reuse groups as fast as possible within fiscal constraints, while reducing associated shore support structure. Of the 91 naval bases and facilities addressed under BRAC III,

Chart 7 - Base Realignment and Closure

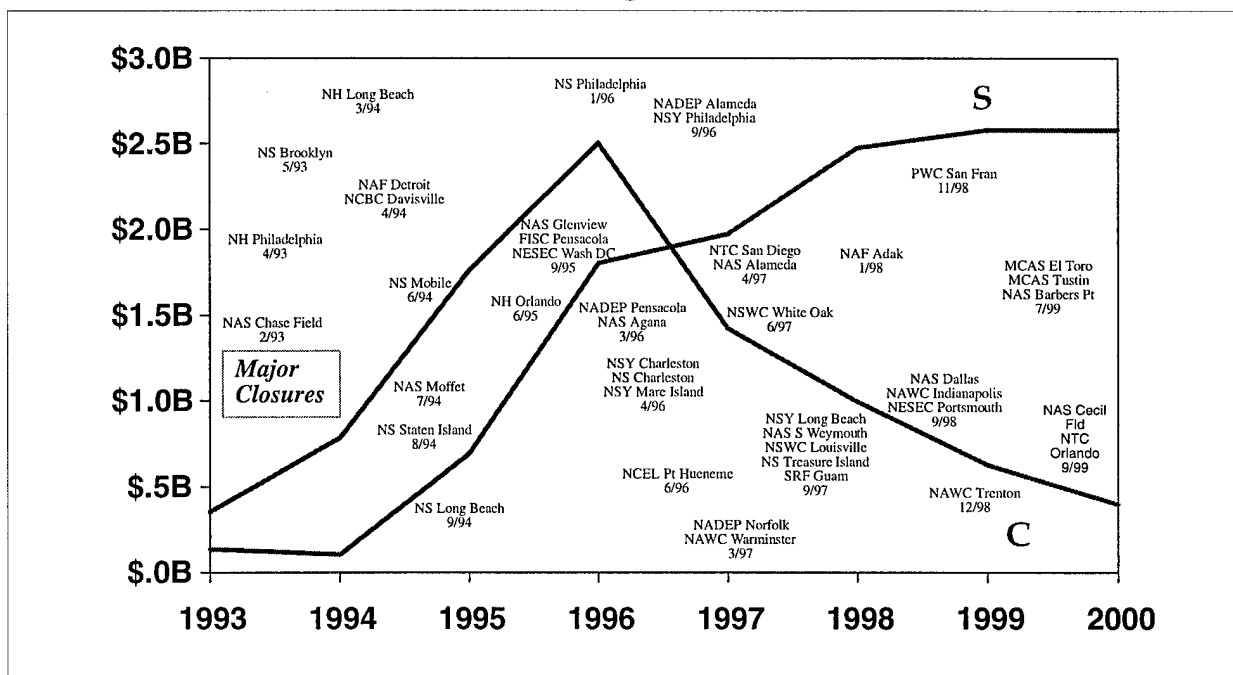


Chart 7 portrays BRAC savings and BRAC Costs. FY 1997 reflects the first positive return on BRAC Investments with savings exceeding costs, the trend continues with estimated steady state savings of \$2.7B in FY 2000 and out.

85 will have completed operational closure or realignment by the end of FY 1998 with the remaining 6 completing in FY 1999. Funds are budgeted for environmental clean-up actions that will execute in FY 1998 based on community re-use. The FY 1998/FY 1999 BRAC III budget represents the minimum funding required to implement closures and realignments. Execution of this effort may require revision or additional provision of funds if FY 1997 land sales revenue projections of over \$170M are not realized.

BRAC IV - The BRAC IV budget was developed to achieve cost savings at maximum speed while minimizing disruption to Navy operations. Of the 44 bases and naval facilities included in BRAC IV, 35 will have completed operational closure or realignment by the end of FY 1998. Another six will complete in FY 1999 and the remaining three will finish by the end of FY 2001. BRAC IV savings reflect avoidance of previously planned BRAC III costs. FY 1997 investments reaps cost-avoidance savings in FY 1998 and FY 1999, including elimination of BRAC construction based on BRAC IV redirected actions. Because funding was provided in FY 1997 for the privatization of Naval Air Warfare Center, Indianapolis and Naval Surface Warfare Center, Louisville are reflected as savings in FY 1998 and FY 1999. The budget also funds the major redirects of Naval Training Center, Orlando, Naval Air Stations Cecil Field and Miramar, and relocation of Naval Sea Systems Command headquarters.

Table 17 reflects anticipated costs for Base Closure II, III and IV. A summary of these costs and savings are shown in the same table.

Department of the Navy
Base Realignment and Closure Accounts
(In Millions of Dollars)

COSTS	FY 1996	FY 1997	FY 1998	FY 1999	
BRAC II	420.9	87.9	116.8	59.4	
BRAC III	1,567.6	* 834.4	485.0	276.5	
BRAC IV	507.4	452.4	388.8	269.3	
Total	\$2,495.9	\$1,374.7	\$990.6	\$605.2	
SAVINGS	FY 1996	FY 1997	FY 1998	FY 1999	Annual Steady State
BRAC II	564.0	574.0	574.0	574.0	574.0
BRAC III	680.0	985.4	1,224.0	1,360.0	1,360.0
BRAC IV	556.6	410.0	675.0	644.0	732.0
Total	\$1,800.6	\$1,969.4	\$2,473.0	\$2,578.0	\$2,666.0

* Includes \$47 million Operation and Maintenance, Navy funds.

NAVY WORKING CAPITAL FUND (NWCF)

The Navy Working Capital Fund budget for FY 1998/1999 includes operating costs totaling approximately \$19 billion for six activity groups. Rates have been set to cover budgeted costs and achieve a zero Accumulated Operating Result (AOR) by the end of each budget year. In addition, the budget includes a plan to generate a total of \$1.6 billion in cash (through rates and surcharges) to liquidate outstanding advance billings and to re-establish a sufficient NWCF cash corpus. This plan includes a \$512 million cash surcharge on depot maintenance in FY 1997, a \$500 million cash surcharge on selected FY 1998 rates, \$408 million in AOR recoupment in FY 1998 rates, and a cash surcharge of an additional \$150 million on FY 1999 rates. Customers have been resourced appropriately for these rate increases. These investments are expected to bring the NWCF cash corpus to a sufficient level to cover day-to-day operations and eliminate all advance billing balances by the end of FY 1999. The three-year approach was selected as the best way to generate required cash as quickly as possible while limiting the impact of rate increases on our customers.

The significant and continuing losses incurred by the Naval Weapons Stations (NWS) since FY 1992 due to an extraordinary decline in workload necessitated immediate and unprecedented action to reestablish the NWS as a viable working capital fund enterprise. Therefore, FY 1997-FY 1999 budget estimates reflect significant restructuring of the activity group. Projected operating losses totaling \$224 million by the end of FY 1997 are the result of a sharp decline in customer funded workload and reflect the cost of carrying significant excess capacity. The budget restructures and downsizes the NWS while ensuring required DOD capabilities and commitments are supported. Actions include elimination of the Atlantic and Pacific management divisions, tailoring weapons stations operations, and decreasing capacity to reduced workload levels. The plan also includes a surcharge of \$224 million in FY 1998 on Navy Receipt, Segregation, Storage and Issue workload to recover accumulated operating losses primarily associated with the large overhead required to support this program. Additionally, ordnance rates are maintained at levels necessary to protect the remaining customer base as we restructure.

In other DON activity groups, budgeted workload declines significantly in FY 1997-FY 1999 resulting in the need to reduce civilian personnel levels. If workload does not decline as much as currently projected, civilian workforce reductions will be adjusted commensurately. Civilian personnel and NWCF costs also decline as the final phases of base closures at Long Beach Naval Shipyard and NADEP Norfolk are completed in FY 1997.

The Department has continued to work aggressively to manage NWCF carryover, making use of direct cite funding procedures to support contractual efforts and executing procurement funding coincident with

performance of discreet tasks instead of on a fully funded basis as budgeted. NWCF activities are managing carryover in accordance with the recently approved policy on carryover and will have no more than three months of funded carryover in FY 1996-FY 1999. The key to successfully limiting carryover to three months, year-after-year, is the flexibility that NWCF managers have to offset slightly higher carryover levels in some appropriations (caused by DOD full funding policies, for example) with lower carryover levels in other appropriations to achieve three months in the aggregate. This flexibility must be maintained for the accomplishment of required workload and the effective management of carryover.

Table 18 reflects obligations for the supply activity group, cost of operations for industrial activity groups and capital investment requirements for all Navy Working Capital Fund activities.

SUMMARY OF NWCF COSTS

(In Millions of Dollars)

	FY 1996	FY 1997	FY 1998	FY 1999
COST				
Supply (obligations)	5,672.4	6,238.1	6,158.9	5,775.9
Depot Maintenance - Aircraft	1,755.1	1,483.5	1,438.8	1,421.2
Depot Maintenance - Ships	2,820.2	2,214.4	2,048.3	2,116.7
Depot Maintenance - Marine Corps	192.3	154.7	150.2	139.2
Ordnance	602.7	539.7	455.7	451.5
Transportation	1,127.9	1,150.3	1,150.1	1,196.6
Research and Development	7,920.3	6,312.9	5,969.3	5,871.3
Information Services	412.3	248.0	208.5	207.3
Printing and Publication	411.4	—	—	—
Base Support	2,131.4	1,972.9	1,819.7	1,840.1
TOTAL	\$23,046.0	\$20,314.5	\$19,399.5	\$19,019.8
CAPITAL INVESTMENT				
Supply Operations	32.1	28.0	31.0	27.3
Depot Maintenance - Aircraft	33.4	53.4	30.0	20.3
Depot Maintenance - Ships	32.3	47.6	37.0	32.3
Depot Maintenance - Marine Corps	6.0	8.8	3.6	3.5
Ordnance	11.0	11.3	6.6	6.3
Transportation	4.6	1.3	1.2	0.5
Research and Development	90.6	115.8	118.2	105.7
Information Services	0.5	0.6	1.5	0.5
Printing and Publication	7.9	—	—	—
Base Support	14.4	18.2	20.7	18.2
TOTAL	\$232.8	\$285.0	\$249.8	\$214.6

CIVILIAN PERSONNEL

The Department of the Navy budget includes the following civilian end strength and workyear estimates:

	FY 1996	FY 1997	FY 1998	FY 1999
End Strength	232,426	217,860	215,659	210,967
FTE Workyears	239,929	224,912	215,725	212,246

Civilian Personnel levels in the Department are at the lowest level since before World War II. The budget reflects the continued downward trend of the civilian work force as a result of base closures, reductions in force structure, decreasing workload and management efficiency.

Forty-nine percent of the Department's civilians work at Navy Working Capital Fund (NWCF) activities supporting depot level maintenance and repair of ships, aircraft, and associated equipment, development of enhanced warfighting capabilities at the Warfare Centers of Excellence,

Chart 8 - Civilian Personnel

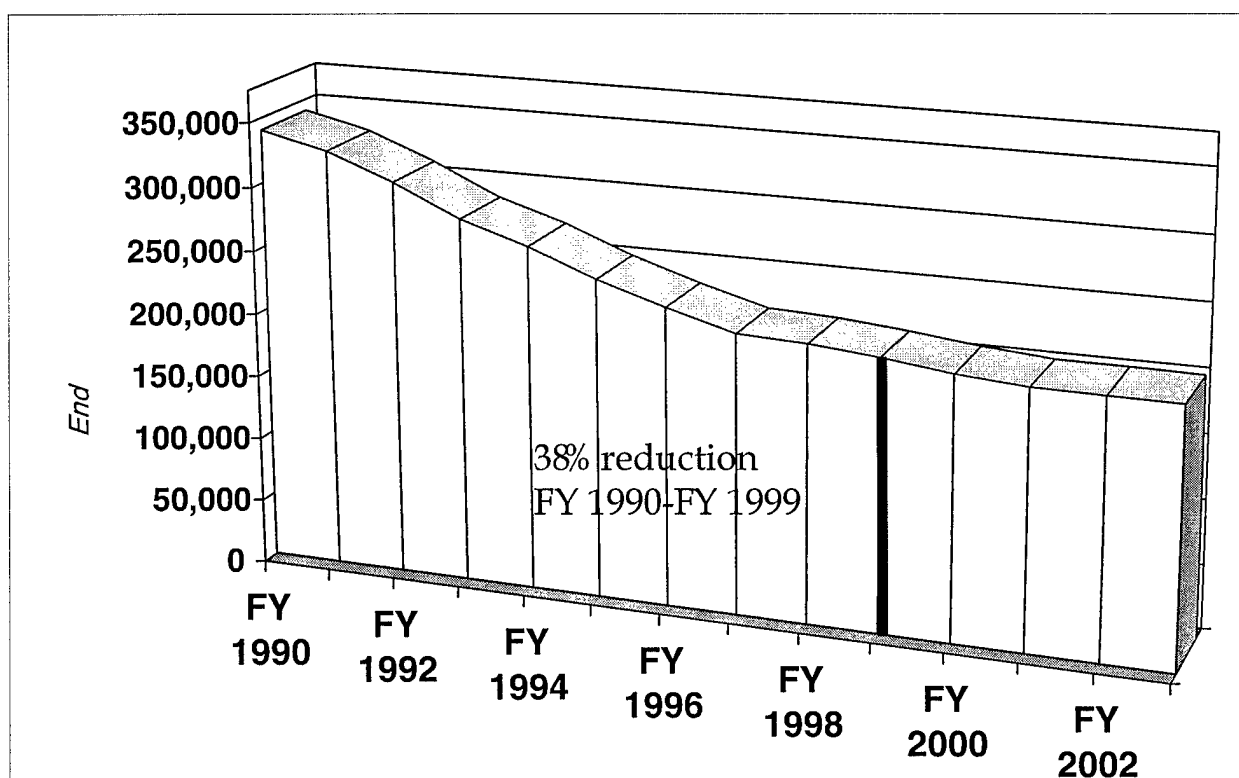


Chart 8 graphically displays Civilian Personnel reductions from FY 1990 through FY 2003 in consonance with Departmental downsizing and efficiencies.

and direct fleet communications, supply, and public works support. A significant number of the civilians funded directly by operations appropriations provide direct fleet support at Navy and Marine Corps bases and stations. The balance provide essential support in functions such as training, medical care, and the engineering, development, and acquisition of weapons systems, all of which are necessary for long-range readiness, including achieving our recapitalization plans..

The Department's budget projects continued downsizing of the civilian workforce through FY 2003. The workforce levels in the budget reflect a significant decline in workload at our NWCF activities. FY 1997-1999 civilian workyears are based on workload in the Department's FY 1998 and FY 1999 program and the appropriate mix of civilian and contractor workload accomplishment. If workload does not decline as much as projected, the workforce will not be reduced as much as currently projected. The workforce decline also includes the effects of BRAC decisions, some of which have been accelerated resulting in earlier personnel reductions.

Civilian personnel levels also reflect savings realized through initiatives implemented as a part of the National Performance Review. One of these initiatives is the reorganization of the civilian personnel management community. Through the reorganization, regionalization of human resource service centers and incorporation of automation, the delivery of services will be made more efficient and effective. Two regional centers will become operational by the beginning of FY 1998 and the remaining four by the beginning of FY 1999. Annual savings to the Department from this initiative are expected to exceed \$40 million by FY 2003.

A summary display of total DON Civilian Personnel resources is provided as Table 19.

**Department of the Navy
Civilian Manpower
End Strength**

	FY 1996	FY 1997	FY 1998	FY 1999
Total — DON	232,426	217,860	215,659	210,967
<u>By Service</u>				
Navy	213,675	199,231	197,242	192,781
Marine Corps	18,751	18,629	18,417	18,186
<u>By Type Of Hire</u>				
Direct	221,684	207,084	204,923	200,320
Indirect Hire, Foreign National	10,742	10,776	10,736	10,647
<u>By Appropriation/fund</u>				
Operation and Maintenance, Navy	88,801	87,108	87,067	84,819
Operation and Maintenance, Navy Reserve	2,567	2,413	2,451	2,388
Operation and Maintenance, Marine Corps	16,507	16,613	16,519	16,367
Operation and Maintenance, Marine Corps Reserve	165	161	161	161
Total — Operation and Maintenance	108,040	106,295	106,198	103,735
Total — NWCF	119,517	106,660	104,561	102,887
Military Construction, Navy	2,968	2,813	2,873	2,373
Research, Development, Test & Evaluation, Navy	1,813	2,011	1,946	1,891
Military Assistance	88	81	81	81
Total — Other	4,869	4,905	4,900	4,345
<u>Special Interest Areas</u>				
Fleet Activities	30,853	30,628	31,189	29,814
Shipyards	24,237	20,788	20,731	21,027
Aviation Depots	12,218	11,789	11,789	11,789
Supply/Distribution/Logistics Centers	7,166	7,097	6,722	6,482
Warfare Centers	43,328	38,721	37,165	35,912
Defense Printing	1,986	—	—	—
Engineering/Acquisition Commands	24,059	22,832	22,004	21,201
Medical	11,574	10,896	10,532	10,095

ACQUISITION REFORM

The Budget reflects the Department's continued commitment to incorporate, where appropriate, savings resulting from a myriad of efforts under the umbrella of Acquisition Reform. Acquisition reform savings may include resources saved as a result of lower contract award through use of performance specifications vice military specifications or cost avoidance attributable to revision of test requirements due to increased use of modeling and simulation. Additionally historical acquisition reform initiatives such as multi-year procurements, contractor incentives, cost as an independent variable, specifications and standards reform initiatives, reduced oversight through statement of work modifications and increased contractor total system integration responsibility.

Integrated Product Team initiatives have contributed to the Department's ability to prudently reinvest resources to obtain maximum product value to support mission requirements. For example, the Cooperative Engagement Capability program has streamlined its development and production cost through the tailoring of acquisition process and documentation, such as the Cost Analysis Requirements Description. This has resulted in immediate, as well as long term, cost avoidances valued at approximately \$367 million over the life of the program. Similarly, through aggressive implementation of acquisition reform initiatives such as the reduction of military and federal contract specifications and the application of advanced computer modeling and simulation technology during the development and design phases, the LPD-17 program has been able to identify ownership cost avoidances of approximately \$1 billion in production and over \$10 billion in the operations over the life of the program.

COMPETITION AND OUTSOURCING

This budget reflects the Department of the Navy's commitment to the use of competition and outsourcing as means to reduce the cost of infrastructure and provide the funds necessary to recapitalize and modernize our forces. Recent studies have identified nearly \$4 billion annually spent on activities that might be performed more economically by the private sector, or more efficiently in-house. Based on our analyses of competitive procurement of these services by other federal, state, and local government agencies, our budget reflects savings totalling more than \$2.6 billion through FY 2003 that have been reapplied to recapitalization.

Table 20 reflects the number of billets to be reviewed for competitive outsourcing and budgeted savings.

Department of the Navy Competition and Outsourcing

	FY 1998-FY 2003
<i>Estimated Number of Billets Subject to Study</i>	
	<i>Military: 30,000</i>
	<i>Civilian 55,000</i>
<i>Competition Savings (FYDP)</i>	<i>\$2,686 million</i>

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SECTION V - QUALITY OF LIFE

The Department of the Navy is continuing its program to improve the quality of life of its personnel consistent with the Secretary of the Navy's priorities for the future.

Family Housing Construction

The budget focuses on the housing needs of both our married and single personnel. Recognizing the aging and substandard housing currently in the Department's inventory, the budget focus is to replace soonest antiquated and unserviceable housing units. The FY 1998 and 1999 budget includes funds for 905 new and replacement housing units. The request also includes \$385.1 million for improvements to existing housing units. Construction of new family housing is proposed in those geographic areas where the housing deficit has the greatest negative impact on the quality of life of our personnel. We continue to use private sector assets to the greatest extent possible to house our personnel. This allows us to construct only in those geographic areas without adequate private sector housing, thereby reducing funding requirements. Additionally, we will attempt to leverage our Family Housing construction capability by utilizing, where feasible, the new Public Private Venture authority legislated in FY 1996. The FY 1999 budget includes a proposal to begin reducing the number of houses in the inventory designated as historic. As part of the initiative, a study will be undertaken to determine the impediments to accomplishing this. A report on the results of this study will be made to the Congress. Substantial and prudent major repair and renovation projects in existing housing assets are also proposed for a number of locations. A Family Housing Office will be constructed to continue to provide the full spectrum of services required to meet the needs of today's Navy and Marine Corps families. In response to significant housing requirements for the Marine Corps, the budget request includes funding for construction and replacement of 470 homes in Southern California and improvements for 643 additional homes.

Family Housing Operation and Maintenance

The major emphasis in the operation and maintenance account is to sustain maintenance and repair efforts and professional services in keeping with the "Neighborhoods of Excellence" (NOE) concept. The goal of NOE is to meet the current needs of Navy and Marine Corps families through quality housing and professional housing services.

Consistent with NOE goals, expanded and improved world-wide housing referral services are supported in locations to effect the most positive influences on our Sailors and Marines. Although, there are over 90,000 units of housing in the Department world wide, the total inventory is decreasing because of base closure actions. The decrease in housing units has allowed the Department to prudently reinvest operating funds in the remaining inventory while reducing overall operation and maintenance requirements.

Bachelor Quarters Construction

The budget reflects the Department's plan to improve the conditions for the single sailor through provision of an additional 5,676 bachelor spaces and replacement and modernization of 1,732 spaces. Consistent investment in new construction and modernization is provided after the initial investment surge in FY 1997. Comprising over thirty percent of the Department's construction program in FY 1998 and FY 1999, the budget reflects construction of eight BEQs in CONUS, two in Puerto Rico, two in Hawaii and three overseas. These construction projects support the DOD standard of "1+1" (one bedroom and one bathroom per occupant) that provides quality barracks to our enlisted Sailors. The Marine Corps has received a waiver to continue construction of two person configured bachelor quarter rooms.

Community Facilities and MWR

The FY 1998 and 1999 Community Facilities budget includes construction of five Child Care Centers, four Fitness Centers, two Community Service centers, one Recreation Facility, and a Galley at Camp Pendleton. The budget request further supports quality of life programs as well as compliance with an international agreement with the United Kingdom for a Joint Maritime Facility, by including funds for a Religious Education Facility at St. Mawgan. In addition, the budget request includes funds for the construction of a Student Union at the Great Lakes Naval Training Facility to support quality-of-life initiatives for the Single Sailor.

The FY 1998/FY 1999 MWR operations budget provides resources to fund MWR Category A (Mission Sustaining) programs and Category B (Community Support) programs to authorized funding levels. The use of appropriated fund resources allows the release of non-appropriated funds to arrest the MWR recapitalization backlog. Additional funding and end strength is provided to operate new child development centers. Also funded in FY 1998 and FY 1999 is support for single sailor programs such as pier-side laundry and secure parking.

Table 21 summarizes Quality-of-life funding programs.

Department of the Navy**Quality of Life***(In Millions of Dollars)*

	<i>FY 1996</i>	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
<i>Navy</i>				
<i>BQ's - Construction</i>	53.4	214.1	130.3	63.7
<i>Community Facilities</i>	43.4	15.5	20.6	26.4
<i>Family Housing Construction</i>	436.3	392.9	199.4	254.0
<i>Family Housing Ops/Maint.</i>	874.1	861.6	831.1	828.5
<i>BQ's - Ops/Maintenance</i>	335.8	282.7	261.9	271.8
<i>Family Service Centers</i>	31.6	36.2	38.9	39.1
<i>Child Care</i>	56.6	74.5	87.6	89.6
<i>MWR</i>	168.6	179.9	217.0	247.6
<i>Continuing Education</i>	57.4	60.9	69.5	69.3
<i>Marine Corps</i>				
<i>BQ's - Construction</i>	49.9	59.7	50.3	71.2
<i>Community Facilities</i>	7.1	14.0	—	6.8
<i>Family Housing Construction</i>	90.2	107.0	79.5	36.1
<i>Family Housing Ops/Maint.</i>	171.5	153.5	145.5	153.0
<i>BQ's - Ops/Maintenance</i>	82.8	61.1	84.0	86.0
<i>Family Service Centers</i>	13.6	14.6	16.0	18.0
<i>Child Care</i>	20.0	18.6	19.1	19.6
<i>MWR</i>	81.2	79.7	80.9	83.5
<i>Continuing Education</i>	14.2	15.1	15.1	15.5
<i>Total Department of the Navy</i>	<i>\$2,587.7</i>	<i>\$2,641.6</i>	<i>\$2,346.7</i>	<i>\$2,379.7</i>

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SECTION VI

FINANCIAL SUMMARY

Total Obligational Authority (TOA) has been used throughout this book to express the amounts in the Department of the Navy budget because it is the most accurate reflection of program value. While TOA amounts differ only slightly from Budget Authority (BA) in some cases, they can differ substantially in others. The differences in TOA and BA, as evidenced in the table below, result from a combination of several factors.

TOA vs BA

(In Millions of Dollars)

	FY 1996	FY 1997	FY 1998	FY 1999
Offsetting Receipts	360.0	-219.0	-219.0	-209.0
Trust and Interfund	5.0	1.7	1.7	1.8
Financing Adjustments	-104.0	-145.4	-5.5	-5.6
Expiring Balances	37.5	—	—	—
Land Sales Revenue	—	-173.7	—	—
Total	298.5	-536.4	-222.8	-212.8

Offsetting Receipts are reflected in BA but not in TOA. Offsetting Receipts include such things as donations to the Navy and Marine Corps, recoveries from foreign military sales, deposits for survivor annuity benefits, interest on loans and investments, rents and utilities, and changes made under the Freedom of Information Act.

Trust Fund totals are also included in BA but not in TOA. These accounts include funds established for the Navy General Gift Fund, Office of Naval Records and History Fund, Naval Academy General Gift Fund, Ship Store Profits, Midshipman Store and the Naval Academy Museum Fund.

Financing Adjustments account for the majority of the differences between TOA and BA. Generally, funding changes are scored as budget authority adjustments in the fiscal year in which the change itself is effective; for TOA purposes, changes are reflected as adjustments to a specific program year, based on the original appropriation. Reappropriations and rescissions involving prior year programs and transfers to prior year programs are all examples of financing adjustments reflected against different fiscal periods as BA and TOA. Revolving fund

and foreign currency transfers are other examples of financing adjustments which count differently in TOA and BA.

Expiring Balances also contribute to the differences as they represent BA available for FY 1996 annual accounts (Personnel and Operation and Maintenance), but not, for a variety of reasons, obligated prior to the end of the fiscal year. These amounts are therefore not included as part of the actual direct TOA for the fiscal year.

Land Sales Revenue represents anticipated proceeds to the U. S. Government from the sale of properties at Navy and Marine Corps activities scheduled for closure. These proceeds are counted as a reduction to Budget Authority but are not reflected in TOA totals. The estimate for Land Sales Revenue assumes these properties will be sold at fair market value.

The TOA and BA levels for FY 1996 through FY 1999 along with DON outlay estimates, are summarized in Table 22.

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Department of the Navy
Comparison Direct Budget Plan (TOA), Budget Authority, and Outlays
(In Millions of Dollars)

Account	Total Obligational Authority				Budget Authority				Outlays			
	FY 1996	FY 1997	FY 1998	FY 1999	FY 1996	FY 1997	FY 1998	FY 1999	FY 1996	FY 1997	FY 1998	FY 1999
MPN	17,099.1	16,971.0	16,510.1	16,388.1	17,099.4	16,971.0	16,510.1	16,388.1	16,646.5	16,945.3	16,495.8	16,361.9
MPMC	5,743.1	6,061.6	6,151.6	6,330.0	5,779.2	6,061.6	6,151.6	6,330.0	5,568.2	6,097.0	6,129.8	6,311.3
RPN	1,384.7	1,404.3	1,375.4	1,398.0	1,384.7	1,404.3	1,375.4	1,398.0	1,268.5	1,426.2	1,345.5	1,364.5
RPMC	384.6	388.3	381.1	390.8	385.6	388.3	381.1	390.8	364.5	387.9	373.9	382.3
O&M,N	21,676.4	20,520.5	21,581.1	21,518.4	21,668.2	20,520.5	21,581.1	21,518.4	19,248.7	20,644.7	21,405.3	21,403.6
O&M,MC	2,489.3	2,294.3	2,305.3	2,403.9	2,491.1	2,294.3	2,305.3	2,403.9	2,214.6	2,425.4	2,286.0	2,351.2
O&M,NR	839.4	885.3	834.7	858.1	839.4	885.3	834.7	858.1	794.8	856.6	826.7	828.8
O&M,MCR	102.5	109.5	110.4	115.5	102.5	109.5	110.4	115.5	88.8	112.1	111.3	114.1
ERN	—	287.5	277.5	287.6	—	287.5	277.5	287.6	—	63.3	190.4	251.4
Kaho'olawe Conveyance	—	—	—	—	25.0	10.0	10.0	—	23.4	20.6	6.4	7.7
Payment to Kaho'olawe	27.8	55.1	10.0	—	25.0	10.0	10.0	—	32.3	10.0	10.0	—
APN	4,454.5	6,872.8	6,086.0	7,669.4	4,419.7	6,859.4	6,086.0	7,669.4	5,033.6	5,044.1	5,420.3	6,306.3
WPN	1,540.7	1,358.4	1,136.3	1,435.7	1,463.5	1,358.4	1,136.3	1,435.7	2,621.7	2,065.9	1,615.2	1,442.3
SCN	6,547.7	5,492.2	7,438.2	5,958.0	6,577.1	5,492.2	7,438.2	5,958.0	7,347.6	7,012.2	6,693.1	6,442.7
OPN	2,427.3	2,892.4	2,825.5	4,185.4	2,400.0	2,882.4	2,825.5	4,185.4	3,592.9	2,862.0	2,748.5	3,089.7
PMC	442.4	579.7	374.3	695.5	442.1	579.7	374.3	695.5	454.0	580.2	519.1	507.4
CDAN	—	—	—	—	—	—	—	—	(0.3)	—	—	—
PANMC	392.2	283.6	336.8	502.6	396.0	268.9	336.8	502.6	189.8	295.3	323.1	405.2
RDT&E,N	8,471.5	7,855.8	7,611.0	7,756.3	8,443.4	7,851.3	7,611.0	7,756.3	9,404.1	7,791.1	7,238.5	7,591.9
Oth Rev & Mgt Fnd	—	—	—	—	—	—	—	—	63.2	—	—	—
NDSF	1,024.2	1,426.7	1,191.4	690.0	1,024.2	1,426.7	1,191.4	690.0	1,444.3	954.8	792.1	925.6
Total DOD Bill	75,047.7	75,738.8	76,536.8	78,583.5	74,966.1	75,661.0	76,546.8	78,583.5	76,402.2	75,594.7	74,531.0	76,087.9
MCON	549.8	707.1	540.1	475.4	546.3	695.8	540.1	475.4	489.0	576.4	571.3	573.8
MCNR	19.1	37.6	13.9	15.3	19.1	37.6	13.9	15.3	36.9	26.1	26.9	23.4
FH(Con)	526.6	499.9	278.9	290.0	525.1	499.9	278.9	290.0	523.9	519.9	466.4	370.0
FH(Ops)	1,045.6	1,015.1	976.5	981.5	1,048.3	1,015.1	976.5	981.5	843.8	1,086.9	1,000.5	982.0
BRC	2,495.9	1,374.8	990.5	605.0	2,495.9	1,201.1	990.5	605.0	929.1	1,151.0	1,121.5	1,057.2
Total MILCON Bill	4,637.0	3,634.5	2,799.9	2,367.2	4,634.7	3,449.5	2,799.9	2,367.2	2,822.7	3,360.3	3,186.6	3,006.4
Offsetting Receipts	—	—	—	—	360.0	(219.0)	(219.0)	(209.0)	360.0	(219.0)	(219.0)	(209.0)
Trust and Interfund	—	—	—	—	5.0	1.7	1.7	1.8	2.4	0.5	0.5	0.5
Total, DON	79,684.5	79,373.3	79,336.7	80,950.7	79,965.8	78,893.2	79,129.4	80,743.5	79,587.3	78,736.5	77,499.1	78,885.8

February 1997

APPENDIX A

APPROPRIATION TABLES

Table A-1

Department of the Navy
FY 1998/FY 1999 Budget Summary by Appropriation
(In Millions of Dollars)

	FY 1996	FY 1997	FY 1998	FY 1999
<i>Military Personnel, Navy</i>	17,099.2	16,971.0	16,510.1	16,388.0
<i>Military Personnel, Marine Corps</i>	5,743.1	6,061.5	6,151.6	6,330.0
<i>Reserve Personnel, Navy</i>	1,384.7	1404.3	1,375.4	1,398.0
<i>Reserve Personnel, Marine Corps</i>	384.6	388.3	381.1	390.8
<i>Operation and Maintenance, Navy</i>	21,676.4	20,520.5	21,581.1	21,518.4
<i>Operation and Maintenance, Marine Corps</i>	2,489.3	2,294.3	2,305.3	2,403.9
<i>Operation and Maintenance, Navy Reserve</i>	839.4	885.3	834.7	858.1
<i>Operation and Maintenance, Marine Corps Reserve</i>	102.5	109.5	110.4	115.5
<i>Environmental Restoration, Navy</i>	—	287.5	277.5	287.6
<i>Kaho'olawe Island</i>	27.8	55.1	10.0	—
<i>Aircraft Procurement, Navy</i>	4,454.5	6,872.8	6,086.0	7,669.4
<i>Weapons Procurement, Navy</i>	1,540.7	1,358.4	1,136.3	1,435.7
<i>Shipbuilding and Conversion, Navy</i>	6,547.7	5,492.2	7,438.1	5,958.1
<i>Other Procurement, Navy</i>	2,427.3	2,892.4	2,825.5	4,185.4
<i>Procurement, Marine Corps</i>	442.5	579.7	374.3	695.5
<i>Procurement of Ammunition, Navy and Marine Corps</i>	392.2	283.6	336.8	502.6
<i>Research, Development, Test & Evaluation, Navy</i>	8,471.5	7,855.8	7,611.0	7,756.3
<i>National Defense Sealift Fund</i>	1,024.2	1,426.7	1,191.4	690.0
<i>Military Construction, Navy</i>	549.7	707.1	540.1	475.4
<i>Military Construction, Naval Reserve</i>	19.1	37.6	13.9	15.3
<i>Family Housing, Navy and Marine Corps</i>	1,572.2	1,515.0	1,255.4	1,271.5
<i>Base Realignment and Closure</i>	2,495.9	1,374.7	990.6	605.2
TOTAL	\$79,684.5	\$79,373.3	\$79,336.7	\$80,950.7

MILITARY PERSONNEL, NAVY

Table A-2

Department of the Navy
Military Personnel, Navy
(In Millions of Dollars)

	FY 1996	FY 1997	FY 1998	FY 1999
<i>Pay and Allowances of Officers</i>	4,297.2	4,285.9	4,204.7	4,264.6
<i>Pay and Allowances of Enlisted</i>	11,510.9	11,206.6	10,850.6	10,682.5
<i>Pay and Allowances of Midshipmen</i>	35.8	35.6	35.8	36.0
<i>Subsistence of Enlisted Personnel</i>	528.9	736.8	731.2	727.0
<i>Permanent Change Station Travel</i>	624.9	588.5	581.9	575.8
<i>Other Military Personnel Costs</i>	101.5	117.6	105.9	102.2
Total: MPN	\$17,099.2	\$16,971.0	\$16,510.1	\$16,388.1
End Strength				
<i>Officers</i>	57,477	56,265	55,695	55,008
<i>Enlisted</i>	355,048	341,748	331,107	325,880
<i>Midshipmen/NAVCADS</i>	4,210	4,000	4,000	4,000
Total: End Strength	416,735	402,013	390,802	384,888

MILITARY PERSONNEL, MARINE CORPS

Table A-3

Department of the Navy
Military Personnel, Marine Corps
(In Millions of Dollars)

	FY 1996	FY 1997	FY 1998	FY 1999
<i>Pay and Allowances of Officers</i>	1,217.9	1,269.6	1,286.6	1,328.9
<i>Pay and Allowances of Enlisted</i>	4,050.6	4,194.1	4,258.2	4,379.2
<i>Subsistence of Enlisted Personnel</i>	204.4	327.8	340.3	350.6
<i>Permanent Change Station Travel</i>	227.2	227.7	225.4	229.8
<i>Other Military Personnel Costs</i>	43.0	42.4	41.1	41.5
Total: MPMC	\$5,743.1	\$6,061.6	\$6,151.6	\$6,330.0
 End Strength				
<i>Officers</i>	17,931	17,978	17,978	17,978
<i>Enlisted</i>	156,952	156,022	156,022	156,022
Total: End Strength	174,883	174,000	174,000	174,000

RESERVE PERSONNEL, NAVY

Table A-4

Department of the Navy
Reserve Personnel, Navy
(In Millions of Dollars)

	FY 1996	FY 1997	FY 1998	FY 1999
<i>Unit & Individual Training</i>	519.5	532.9	522.0	533.5
<i>Other Training & Support</i>	865.2	871.4	853.4	864.5
Total: RPN	\$1,384.7	\$1,404.3	\$1,375.4	\$1,398.0
<i>End Strength</i>				
<i>SELRES</i>	80,069	79,272	78,158	77,509
<i>Sea/Air Mariner</i>	341	—	—	—
<i>Full-Time Act Duty</i> <i>(TARS/TEMACs)</i>	17,546	16,626	16,136	16,073
Total: End Strength	97,956	95,898	94,294	93,582

RESERVE PERSONNEL, MARINE CORPS

Table A-5

Department of the Navy
Reserve Personnel, Marine Corps
(In Millions of Dollars)

	FY 1996	FY 1997	FY 1998	FY 1999
<i>Unit and Individual Training</i>	204.6	211.8	210.0	215.5
<i>Other Training and Support</i>	180.0	176.5	171.1	175.3
Total: RPMC	\$384.6	\$388.3	\$381.1	\$390.8
<i>Selected Marine Corps Reserves</i>	39,529	39,441	39,441	39,441
<i>Full Time Support</i>	2,548	2,559	2,559	2,559
Total: End Strength	42,077	42,000	42,000	42,000

OPERATION AND MAINTENANCE, NAVY

Table A-6

Department of the Navy
Operation and Maintenance, Navy
(In Millions of Dollars)

	FY 1996	FY 1997	FY 1998	FY 1999
<u>Operating Forces</u>				
Air Operations	4,459.4	4,318.5	4,690.1	4,548.4
Ship Operations	6,766.2	6,898.8	7,290.7	7,366.5
Combat Operations/Support	1,741.8	1,640.3	1,613.1	1,651.9
Weapons Support	1,361.3	1,345.7	1,458.7	1,571.1
NWCF Support	595.1	—	—	—
Total — Operating Forces	\$14,923.8	\$14,203.3	\$15,052.6	\$15,137.9
<u>Mobilization</u>				
Ready Reserve & Prepositioning Force	510.3	499.2	455.0	448.1
Activations/Inactivations	458.2	598.3	704.7	512.9
Mobilization Preparedness	34.7	39.1	67.4	59.1
Total — Mobilization	\$1,003.2	\$1,136.6	\$1,227.1	\$1,020.1
<u>Training And Recruiting</u>				
Accession Training	244.9	256.0	273.5	286.7
Basic Skills & Advanced Training	1,106.5	1,100.5	1,190.6	1,203.7
Recruiting & Other Training & Education	228.0	235.2	245.3	262.1
Total — Training And Recruiting	\$1,579.5	\$1,591.7	\$1,709.4	\$1,752.5
<u>Admin & Service-wide Support</u>				
Service-wide Support	1,730.0	1,501.8	1,538.1	1,564.4
Logistics Operations & Technical Support	1,788.6	1,525.2	1,502.4	1,484.6
Investigations & Security Programs	571.9	554.4	545.1	551.8
Support of Other Nations	8.7	7.5	6.4	7.1
Cancelled Accounts	70.7	—	—	—
Total — Admin & Service-wide Support	\$4,169.9	\$3,588.9	\$3,592.0	\$3,607.9
Total — O&MN	\$21,676.4	\$20,520.5	\$21,581.1	\$21,518.4

OPERATION AND MAINTENANCE, MARINE CORPS

Table A-7

Department of the Navy
Operation and Maintenance, Marine Corps
(In Millions of Dollars)

	FY 1996	FY 1997	FY 1998	FY 1999
<u>Operating Forces</u>				
Expeditionary Forces	1,704.8	1,573.7	1,553.1	1,642.6
Prepositioning	79.9	79.5	81.0	86.7
Total — Operating Forces	\$1,784.7	\$1,653.2	\$1,634.1	\$1,729.3
<u>Training and Recruiting</u>				
Accession Training	78.5	75.2	78.8	80.8
Basic Skills & Advanced Training	180.5	187.8	193.0	197.8
Recruiting & Other Training & Education	102.8	108.5	109.0	111.9
Total — Training And Recruiting	\$361.9	\$371.5	\$380.8	\$390.5
<u>Admin & Service-wide Support</u>				
Service-wide Support	\$342.7	\$269.6	\$290.4	\$284.1
Total: O&M,MC	\$2,489.3	\$2,294.3	\$2,305.3	\$2,403.9

OPERATION AND MAINTENANCE, NAVY RESERVE

Table A-8

Department of the Navy
Operation and Maintenance, Navy Reserve
(In Millions of Dollars)

	<i>FY 1996</i>	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
<u>Operating Forces</u>				
Air Operations	490.0	513.5	505.8	506.9
Ship Operations	150.5	161.4	140.3	148.2
Combat Operations/Support	87.5	82.2	73.3	77.5
Weapons Support	5.0	6.1	4.1	4.1
Total — Operating Forces	\$733.0	\$763.2	\$723.5	\$736.7
<u>Admin & Service-wide Support</u>				
Service-wide Support	\$106.4	\$122.1	\$111.2	\$121.4
Total: O&M, NR	\$839.4	\$885.3	\$834.7	\$858.1

OPERATION AND MAINTENANCE, MARINE CORPS RESERVE

Table A-9

Department of the Navy
Operation And Maintenance, Marine Corps Reserve
(In Millions of Dollars)

	<i>FY 1996</i>	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
<u>Operating Forces</u>				
Expeditionary Forces	68.0	73.6	70.5	74.4
<u>Admin & Service-wide Support</u>				
Service-wide Support	34.5	35.9	39.9	41.1
Total: O&M,MCR	\$102.5	\$109.5	\$110.4	\$115.5

ENVIRONMENTAL RESTORATION, NAVY

Table A-10a

Department of the Navy
Environmental Restoration, Navy
(In Millions of Dollars)

	FY 1996	FY 1997	FY 1998	FY 1999
Environmental Restoration Activities	–	287.5	277.5	287.6
Total: ERN	–	\$287.5	\$277.5	\$287.6

KAHO'OLAWA ISLAND

Table A-10b

Department of the Navy
Kaho'olawe Island
(In Millions of Dollars)

	FY 1996	FY 1997	FY 1998	FY 1999
Kaho'olawe Island	27.8	55.1	10.0	–
Total: Kaho'olawe Island	\$27.8	\$55.1	\$10.0	–

AIRCRAFT PROCUREMENT, NAVY

Table A-11

Department of the Navy Aircraft Procurement, Navy (In Millions of Dollars)

	FY 1996		FY 1997		FY 1998		FY 1999	
	QTY	\$	QTY	\$	QTY	\$	QTY	\$
AV-8B (HARRIER)*	8	245.1	12	359.7	11	296.6	12	334.9
F/A-18C/D (HORNET)	18	794.5	6	273.2	-	-	-	-
F/A-18E/F (HORNET)	-	233.6	12	2,094.8	20	2,191.6	30	3,034.4
V-22 (OSPREY)	-	47.1	5	733.0	5	541.7	7	676.1
AH-1W (SEA COBRA)	6	73.1	-	-	-	-	-	-
SH-60B (SEAHAWK)	-	16.3	-	6.2	-	-	-	-
E-2C (HAWKEYE)	3	211.8	4	297.0	3	256.0	4	309.0
CH-60 (VERTREP HELO)	-	-	-	-	-	31.8	6	163.4
T-45TS (GOSHAWK)	12	304.6	12	292.5	12	250.2	12	280.4
T-39N (UNFOTS)**	17	43.6	-	-	-	-	-	-
KC-130J	-	-	4	206.4	-	-	-	-
HH-60H	-	13.0	-	-	-	-	-	-
Modifications		1,309.1		1,436.8		1,422.0	-	1,662.5
Spares and Repair Parts		736.5		819.9		740.2	-	788.4
Support Equipment/Facilities		426.2		353.3		355.9	-	420.3
Total: APN	64	\$4,454.5	55	\$6,872.8	51	\$6,086.0	71	\$7,669.4

* Remanufactured Aircraft Only

** Undergraduate Flight Officer Training System

WEAPONS PROCUREMENT, NAVY

Table A-12a

Department of the Navy Weapons Procurement, Navy (In Millions of Dollars)

	FY 1996		FY 1997		FY 1998		FY 1999	
	QTY	\$	QTY	\$	QTY	\$	QTY	\$
Missiles								
TRIDENT II	6	508.8	7	316.3	7	341.4	7	319.7
TOMAHAWK	107	112.1	155	103.4	65	51.8	-	136.6
AMRAAM	115	68.8	100	56.4	100	57.1	100	66.0
HARPOON	75	83.5	-	-	-	-	-	-
JSOW	-	25.5	100	78.2	113	58.7	324	130.2
STANDARD	22	127.8	127	215.3	127	196.5	109	277.9
RAM	210	61.3	135	47.6	100	44.1	145	57.0
ESSM	-	-	-	-	-	15.5	35	36.5
Other	-	235.7	-	232.7	-	189.3	-	206.5
Torpedoes								
VLA	13	9.8	-	12.7	-	-	-	-
Other	-	115.9	-	107.9	-	95.7	-	126.3
Other								
FLTSATCOM (UHF)	-	87.9	-	110.6	-	-	-	-
CIWS & MODS	-	32.0	-	24.9	-	10.0	-	3.7
All Other	-	71.6	-	52.4	-	76.2	-	75.3
Total: WPN and Navy	548	\$1,540.7	624	\$1,358.4	512	\$1,136.3	720	\$1,435.7

Table A-12b

Weapons Procurement, Navy Six-year Plan

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Missiles						
TRIDENT II	7	7	12	12	12	12
AMRAAM	100	100	100	100	100	100
JSOW	113	324	748	866	1,026	1,075
STANDARD	127	109	155	217	273	297
RAM	100	145	-	-	-	-
ESSM	-	35	150	177	176	245
TOMAHAWK	65	-	-	-	-	-

SHIPBUILDING AND CONVERSION, NAVY

Table A-13

**Department of the Navy
Shipbuilding Conversion, Navy
(In Millions of Dollars)**

	FY 1996		FY 1997		FY 1998		FY 1999	
	QTY	\$	QTY	\$	QTY	\$	QTY	\$
New Construction								
Attack Submarine (SSN-21)	1	690.9	-	634.9	-	153.4	-	-
New SSN	-	790.3	-	780.4	1	2,599.8	1	2,057.6
Destroyer (DDG-51)	2	2,231.6	4	3,530.6	3	2,823.6	3	2,676.7
Amphibious Assault Ship (LHD-1)	1	1,261.3	-	-	-	-	-	-
Amphibious Assault Ship (LPD-17)	1	953.7	-	-	-	-	1	762.3
Oceanographic Ships		15.4	2	97.3	-	-	-	-
Subtotal	5	\$5,943.2	6	\$5,043.2	4	\$5,576.8	5	\$5,496.6
Conversion/RCOH/Acquisition								
AE(C)	1	30.0	1	39.3	-	-	-	-
AFS(C)	2	45.4	-	-	-	-	-	-
Other								
CVN Refueling Overhauls	-	213.9	-	231.7	1	1,707.8	-	243.3
Completion of LSD-52	-	19.7	-	-	-	-	-	-
Service Craft	-	-	-	-	-	33.9	-	-
LCAC Landing Craft	-	-	-	2.9	-	-	-	-
Outfitting	-	129.8	-	44.0	-	28.1	-	98.8
Fast Patrol Craft	1	9.2	-	-	-	-	-	-
Post Delivery		153.8	-	129.1	-	90.2	-	118.0
First Destination Transportation	-	2.7	-	2.0	-	1.3	-	1.4
Total SCN:	9	\$6,547.7	7	\$5,492.2	5	\$7,438.1	5	\$5,958.1

OTHER PROCUREMENT, NAVY

Table A-14

Department of the Navy
Other Procurement, Navy
(In Millions of Dollars)

	FY 1996	FY 1997	FY 1998	FY 1999
<i>Ships Support Equipment</i>	617.8	814.5	771.1	1,070.8
<i>Communications and Electronics Equipment</i>	781.6	1,044.7	925.8	1,584.0
<i>Aviation Support Equipment</i>	192.1	244.6	169.3	255.9
<i>Ordnance Support Equipment</i>	396.3	470.2	539.7	692.5
<i>Civil Engineering Support Equipment</i>	46.7	43.9	53.6	81.9
<i>Supply Support Equipment</i>	94.0	67.7	56.5	127.4
<i>Personnel and Command Support Equipment</i>	115.4	4.5	60.9	70.6
<i>Spares and Repair Parts</i>	183.4	202.3	248.7	302.3
Total: OPN	\$2,427.3	\$2,892.4	\$2,825.5	\$4,185.4

PROCUREMENT, MARINE CORPS

Table A-15

Department of the Navy Procurement, Marine Corps (In Millions of Dollars)

	FY 1996		FY 1997		FY 1998		FY 1999	
	QTY	\$	QTY	\$	QTY	\$	QTY	\$
Weapons & Tracked Combat Vehicles								
AAV7A1		11.5		14.0		13.5		13.8
Mod Kits (Tracked Vehicles)		16.8		0.5		4.5		11.0
Other		24.4		16.6		11.6		13.9
Guided Missiles								
Javelin		—	141	38.2	194	42.1	741	83.4
Predator		—		—		—	289	18.2
Pedestal Mounted Stinger		19.3		10.5		0.2		0.2
Other		4.9		4.7		4.4		2.0
Communication & Electronics								
Third Echelon Test Sets		—		12.2		12.1		19.7
Data Automated Comm Terminal (Dact)-			1.0		8.3		13.0	
Radio Systems		58.0		53.8		16.9		36.1
Digital Technical Control (DTC)		—		—		11.6		18.8
Tactical Data Network (TDN)		—		—		25.6		50.8
Network Infrastructure		6.6		16.9		14.0		18.2
Base Telecom Infrastructure		—		30.3		17.5		16.6
Mobile Electronic Warfare Supt Sys		—		11.1		14.7		15.1
Intelligence Analysis System (MEF)		—		7.0		10.3		10.6
Night Vision Equipment		7.2		17.2		—		11.8
Other		140.1		180.0		85.9		75.4
Support Vehicles								
Medium Tactical Vehicle Reman (MTVR)		—		—		—	808	160.0
Other		22.9		28.2		9.5		18.0
Engineer and Other Equipment		84.6		94.9		46.7		58.0
Spares & Repair Parts		46.2		42.6		24.9		30.9
Total: PMC		\$442.5		\$579.7		\$374.3		\$695.5

PROCUREMENT OF AMMUNITION, NAVY AND MARINE CORPS

Table A-16

***Department of the Navy
Procurement of Ammunition, Navy and Marine Corps
(In Millions of Dollars)***

	<i>FY 1996</i>	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
<i>Navy Ammunition</i>	<i>215.0</i>	<i>151.5</i>	<i>238.0</i>	<i>307.7</i>
<i>Marine Corps Ammunition</i>	<i>177.2</i>	<i>132.1</i>	<i>98.8</i>	<i>194.9</i>
<i>Total</i>	<i>\$392.2</i>	<i>\$283.6</i>	<i>\$336.8</i>	<i>\$502.6</i>

RESEARCH, DEVELOPMENT, TEST AND EVALUATION, NAVY

Table A-17

Department of the Navy
Research, Development, Test and Evaluation, Navy
(In Millions of Dollars)

	<i>FY 1996</i>	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
<i>Basic Research</i>	371.5	352.1	382.1	399.6
<i>Applied Research</i>	537.7	534.8	490.3	539.1
<i>Advanced Technology Development (ATD)</i>	472.2	501.1	433.3	470.5
<i>Demonstration & Validation (DEM/VAL)</i>	1,712.9	1,930.1	2,135.1	2,233.5
<i>Engineering & Manufacturing Development</i>	2,344.8	2,143.9	2,085.8	2,032.5
<i>RDT&E Management Support</i>	684.7	538.6	595.3	613.2
<i>Operational Systems Development</i>	2,347.7	1,855.2	1,489.1	1,467.9
Total: RDT&E,N	\$8,471.5	\$7,855.8	\$7,611.0	\$7,756.3

NATIONAL DEFENSE SEALIFT FUND

Table A-18

Department of the Navy
National Defense Sealift Fund
(In Millions of Dollars)

	FY 1996		FY 1997		FY 1998		FY 1999	
	<u>QTY</u>	<u>\$</u>	<u>QTY</u>	<u>\$</u>	<u>QTY</u>	<u>\$</u>	<u>QTY</u>	<u>\$</u>
Sealift Acquisition	2	596.1	5	1,152.4	2	813.0	1	322.4
Research & Development		19.1	-	8.4	-	6.4	-	6.5
Ready Reserve Force		409.0	-	265.9	-	302.0	-	276.1
DoD Mobilization Assets		-		-		70.0		85.0
Total: NDSF		\$1,024.2		\$1,426.7		\$1,191.4		\$690.0

MILITARY CONSTRUCTION, NAVY AND NAVAL RESERVE

Table A-19

**Department of the Navy
Military Construction**
(In Millions of Dollars)

	FY 1996	FY 1997	FY 1998	FY 1999
<i>Significant Programs</i>				
Operational & Training Facilities	155.2	161.0	83.5	110.4
Maintenance & Production Facilities	22.4	92.5	67.1	19.4
R&D Facilities	6.5	24.8	31.8	5.1
Supply Facilities	6.4	6.0	28.0	19.7
Administrative Facilities	16.9	2.5	6.1	13.1
Troop Housing Facilities	103.3	273.8	180.6	134.9
Community Facilities	50.5	29.5	20.6	33.1
Utility Facilities	13.3	28.1	32.6	28.1
Pollution Abatement	115.3	33.9	37.3	47.0
Unspecified Minor Construction	7.2	5.1	10.0	10.0
Planning And Design	50.5	49.9	42.5	54.6
General Defense Intel Program	2.2			
Total: Navy	\$549.7	\$707.1	\$540.1	\$475.4
Total: Naval Reserve	\$19.1	\$37.6	\$13.9	\$15.3

* General reduction reflected in President's Budget based on 3 specific projects with savings from favorable bids, cancellations due to force structure changes, and cancellations due to base realignment and closure decisions.

FAMILY HOUSING, NAVY AND MARINE CORPS

Table A-20

***Department of the Navy
Family Housing, Navy and Marine Corps
(In Millions of Dollars)***

	<i>FY 1996</i>	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
<i>Navy</i>				
<i>Construction</i>	436.4	392.9	199.4	253.9
<i>O&M</i>	874.1	861.6	831.0	828.4
<i>Total: Navy</i>	1,310.5	1,254.5	1,030.4	1,082.3
<i>Marine Corps</i>				
<i>Construction</i>	90.2	107.0	79.5	36.1
<i>O&M</i>	171.5	153.5	145.5	153.1
<i>Total: Marine Corps</i>	261.7	260.5	225.0	189.2
<i>Total: FH,N&MC</i>	<i>\$1,572.2</i>	<i>\$1,515.0</i>	<i>\$1,255.4</i>	<i>\$1,271.5</i>
<i>New Construction Projects</i>				
<i>Navy</i>	9	12	1	2
<i>Marine Corps</i>	2	9	3	—
<i>New Construction Units</i>				
<i>Navy</i>	1,736	1,698	—	—
<i>Marine Corps</i>	138	490	470	—
<i>Average Number Of Units</i>				
<i>Navy</i>	70,651	69,337	66,049	63,485
<i>Marine Corps</i>	25,365	25,350	25,651	24,664

BASE REALIGNMENT AND CLOSURE ACCOUNTS

Table A-21

Department of the Navy
Base Realignment and Closure Accounts
(In Millions Of Dollars)

COSTS	FY 1996	FY 1997	FY 1998	FY 1999	
BRAC II	420.9	87.9	116.7	59.3	
BRAC III	1,567.6	* 834.5	484.9	276.4	
BRAC IV	507.4	452.4	388.8	269.2	
Total	\$2,495.9	\$1,374.7	\$990.6	\$605.2	

SAVINGS	FY 1996	FY 1997	FY 1998	FY 1999	Annual Steady State
BRAC II	564.0	574.0	574.0	574.0	574.0
BRAC III	680.0	985.4	1,224.0	1,360.0	1,360.0
BRAC IV	556.6	410.0	675.0	644.0	732.0
Total	\$1,800.6	\$1,969.4	\$2,473.0	\$2,578.0	\$2,666.0

* Includes \$47 million in Operation and Maintenance, Navy funds

GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA)

Table A-22

Department of Defense Corporate Goals *(Referenced in the DON Highlights Book)*

GOAL 1: Provide a flexible, ready, and sustainable military force structure capable of conducting joint operations to execute the national military strategy.

Navy Battle Force Ships	2-1
Reserve Battle Force Ships	2-3
Strategic Sealift Ships	2-4
Naval Aviation Forces	2-7
Fleet Marine Forces	2-10
Navy Personnel End Strength	2-12
Marine Corps Personnel End Strength	2-12
Navy Reserve Personnel End Strength	2-13
Marine Corps Reserve Personnel End Strength	2-14
Ship Steaming Days per Quarter	2-2
Aircraft Primary Mission Readiness (PMR)	2-8
Battalion Training Days	2-10
Strategic Sealift	2-4, 3-4
Ship Depot Maintenance	2-5
Aircraft Depot Maintenance	2-9

GOAL 2: Recruit and retain well qualified military and civilian personnel and provide them with equal opportunity and a high quality of life.

Military Personnel Compensation	2-11
Navy Enlisted Accessions	2-12
Navy Reenlistments	2-12
Marine Corps Enlisted Accessions	2-12
Marine Corps Reenlistments	2-12
Housing and Community Facilities	5-3, A-20

Table A-22 (Continued)

Morale, Welfare & Recreation Operations	5-3
Military Continuing Education Support	5-3
Child Care Services	5-3

GOAL 3: Maintain U.S. qualitative superiority in key warfighting capabilities (e.g., information warfare, logistics).

Shipbuilding and Conversion Programs	3-2, A-13
Aviation Programs	3-6, A-11
Weapons Programs	A-12, A-15
Science & Technology	3-14
Systems Development	3-14

GOAL 4: Sustain and adapt security alliances, enhance coalition warfighting and forge military relationships that protect and advance U.S. security interests.

Specific Measures not Published in this Document

GOAL 5: Reduce costs and eliminate unnecessary expenditures across all DoD mission areas by employing modern management tools and working closely and effectively with other government agencies, Congress, and the private sector.

Acquisition Reform	3-4
Base Realignment and Closure	4-2
Navy Working Capital Fund	4-4
Civilian Manpower	4-5
Acquisition Reform	4-8
Competition and Outsourcing	4-9